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# Official Transcript of Proceedings

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*Before the*  
POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

## UNITED STATES POSTAL RATE COMMISSION

In the Matter of: POSTAL RATE AND FEE CHANGES

Docket No. R97-1

VOLUME 5

DATE: Thursday, October 9, 1997

PLACE: Washington, D.C.

PAGES: 2157 - 2667

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	C O N T E N T S				
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2	CHARLES L. CRUM				
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6	BY MR. OLSON		2358		
7	BY MR. WIGGINS		2372		
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9	SHARON DANIEL				
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11	BY MR. THOMAS		2590		
12	BY MR. CORCORAN		2621		
13	BY MR. BAKER		2640		
14	BY MR. McKEEVER		2648		
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2	EXHIBITS AND/OR TESTIMONY	IDENTIFIED RECEIVED
3	Direct Testimony and Exhibits	
4	of Charles L. Crum, Exhibit	
5	No. USPS-T-28	2170 2170
6	Designation of Written Cross	
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8	Crum	2171
9	Library Reference H-144	2319
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11	of Sharon Daniel, Exhibit No.	
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## P R O C E E D I N G S

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[9:32 a.m.]

CHAIRMAN GLEIMAN: Good morning.

Today we continue hearings in docket R97-1, the Postal Service request for changes in rates and fees. Postal Service witnesses Crum and Daniel are scheduled to appear today.

I just want to mention something that I mentioned yesterday about this Friday.

There is a religious holiday that starts at sundown on Friday, and in order that those who celebrate that holiday can get home in a timely manner, we will end our cross examination of witnesses that day on 4:30.

If we do not finish with the two witnesses that day, then we will talk with Postal Service counsel, the witnesses, and those who have not yet completed their cross examination to determine whether it's best to have that witness return, if necessary, the following Tuesday morning or to pick up at the end of the scheduled round of hearings on the 23rd of October.

Does any participant have a procedural matter to raise this morning before we begin?

[No response.]

CHAIRMAN GLEIMAN: There doesn't appear to be any.

Mr. Reiter, would you identify your witness so

1 that I can swear him in?

2 MR. REITER: Yes, Mr. Chairman. Our next witness  
3 is Charles Crum.

4 CHAIRMAN GLEIMAN: Mr. Crum, could you please  
5 stand and raise your right hand?  
6 Whereupon,

7 CHARLES L. CRUM,  
8 a witness, was called for examination by counsel for the  
9 United States Postal Service and, having been first duly  
10 sworn, was examined and testified as follows:

11 CHAIRMAN GLEIMAN: Please be seated.  
12 Counsel?

13 DIRECT EXAMINATION

14 BY MR. REITER:

15 Q Mr. Crum, I'm handing you a copy of a document  
16 entitled "Direct Testimony of Charles L. Crum on Behalf of  
17 United States Postal Service," labeled USPS-T-28.

18 Was this testimony prepared by you or under your  
19 direction?

20 A Yes.

21 Q And if you were to testify today, would your  
22 testimony be the same?

23 A Yes.

24 MR. REITER: Mr. Chairman, I am taking two copies  
25 of this document, handing it to the reporter, and ask that

1 it be entered into evidence as the direct testimony of  
2 Charles Crum.

3 CHAIRMAN GLEIMAN: Are there any objections?

4 [No response.]

5 CHAIRMAN GLEIMAN: Hearing none, Mr. Crum's  
6 testimony and exhibits are received into evidence, and I  
7 direct that they be accepted into evidence. As is our  
8 practice, they will not be transcribed into the record.

9 [Direct Testimony and Exhibits of  
10 Charles L. Crum, Exhibit No. USPS-T-28,  
11 were marked for identification and  
12 received into evidence.]

13 CHAIRMAN GLEIMAN: Mr. Crum, have you had an  
14 opportunity examine the packet of designated written cross  
15 examination that was made available to you earlier this  
16 morning?

17 THE WITNESS: Yes, I have.

18 CHAIRMAN GLEIMAN: If these questions were asked  
19 of you today, would your answers be the same as those you  
20 previously provided in writing?

21 THE WITNESS: Yes, they would.

22 CHAIRMAN GLEIMAN: That being the case, I'm going  
23 to ask, Mr. Reiter, if you would provide the corrected  
24 copies of the designated written cross examination, two of  
25 them, to the court reporter, and I'll direct that they be

1 accepted into evidence and transcribed into the record at  
2 this point.

3 [Designation of Written Cross  
4 Examination of Charles L. Crum  
5 was received into evidence and  
6 transcribed into the record.]  
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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 1997

Docket No. R97-1

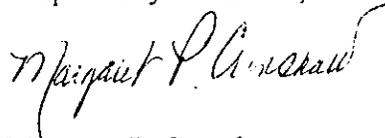
DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS CHARLES CRUM  
(USPS-T-28)

The parties listed below have designated answers to interrogatories directed to witness Crum as written cross-examination.

<u>Party</u>	<u>Answer To Interrogatories</u>	
Advo, Inc.	DMA\USPS: NDMS\USPS: PSA\USPS: UPS\USPS:	Interrogatories T28-1, 3-4. Interrogatories T28-3. Interrogatories T28-3. Interrogatories T28-11.
Direct Marketing Association	DMA\USPS:	Interrogatories T28-1, 3-5, 12-14 and 16.
Florida Gift Fruit Shippers Association	DMA\USPS: UPS\USPS:	Interrogatories T28-1. Interrogatories T28-1-3 9-13, 15, 25-28 and 38.
Mail Order Association of America	DMA\USPS: NDMS\USPS:	Interrogatories T28-1-3 Interrogatories T28-18
Major Mailers Association	DMA\USPS:	Interrogatories T28-1.
Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle Filmworks, Inc.	NDMS\USPS: DMA\USPS:	Interrogatories T28-1-13, 17-21 and 23-26. Interrogatories T28-1-9, and 12-18.
Office of the Consumer Advocate	DMA\USPS: NDMS\USPS:  PSA\USPS: RIAA\USPS:	Interrogatories T28-1-9 and 12-18. Interrogatories T28-1 (all subparts a.-g.), 2-8, 9 (as revised 8/27/97), 10-13, 17-19, 20.b., 21, and 23-26. Interrogatories T28-1-5. Interrogatories T28-1-3 and 5.

	UPS\USPS:	Interrogatories T28-1-21 22 (all subparts a.-d.), 23-34 35 (as revised 9/30/97) and 36-40.
Parcel Shippers Association	PSA\USPS:	Interrogatories T28-1-3. Interrogatories T28-4-5
	DMA\USPS:	Interrogatories T28-3-4
	NDMS\USPS:	Interrogatories T28-1(a-g). Interrogatories T281(e) 2-5, 7-13.
	RIAA\USPS:	Interrogatories T28-1-3 and 5.
	UPS\USPS: Val-Pak\USPS:	Interrogatories T28-19. Interrogatories T28-1
Recording Industry Association of America	RIAA\USPS:	Interrogatories T28 2-3 and 5
	DMA\USPS:	Interrogatories T28-3.
	NDMS\USPS:	Interrogatories T28-2, 4, 6-7 9(f) and 12.
United Parcel Service	UPS\USPS:	Interrogatories T28-3-5,00 7-9, 12, 14, 16-20, 22(a-b) 24, 28-33, 35 and 37.

Respectfully submitted,



Margaret P. Crenshaw  
Secretary

U. S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES OF THE  
DIRECT MARKETING ASSOCIATION, INC.

DMA/USPS-T28-1. Please refer to Table 1 on page 6 of LR-H-108.

- (a) Please provide similar data for FY 1993, FY 1994, and FY 1995 showing PERMIT estimates of revenue, pieces, and weights for letters, flats, and IPPs and parcels for Standard A Bulk Regular Rate mail.
- (b) Please provide estimates of revenue, pieces, and weights, controlled to GFY RPW totals for letters, flats, and IPPs and Parcels for FY 1993, FY 1994 and FY 1995.
- (c) Using the data provided in this Table, please confirm that the average weight of flats is .2 pounds. If you cannot confirm, please provide the correct average weight for flats.
- (d) Using the data provided in this table, please confirm that the average weight of parcels is .5 pounds. If you cannot confirm, please provide the correct average weight for parcels.

RESPONSE

- a. Attached.
- b. Attached.
- c. I confirm that for FY 1993 through FY 1995 the average weight of Standard Mail (A) bulk Regular Rate flats is .2 pounds to your level of rounding.
- d. I Confirm that for FY 1993 through FY 1995 the average weight of Standard Mail (A) bulk Regular Rate parcels is .5 pounds to your level of rounding.

## FY 1993 Standard Mail (A) Bulk Regular Rate

## PERMIT Estimate

## Controlled to GFY RPW

Letters	PERMIT Estimate			Controlled to GFY RPW		
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	568,675	2,852,106	160,516	564,987	2,854,722	162,899
Basic ZIP+4 and BC	181,934	1,013,310	59,937	180,754	1,049,768	60,827
3/5-Digit	1,101,091	6,855,385	432,294	1,093,949	7,102,034	438,714
3/5 Digit ZIP+4 and BC	814,698	5,514,426	341,767	809,414	5,816,427	346,842
Carrier Route	1,129,441	9,345,578	642,704	1,175,821	9,632,840	770,090
High Density / Saturation	262,820	2,384,400	154,685	273,613	2,457,691	185,344
Total Letters	4,058,659	28,065,206	1,791,903	4,098,538	29,013,482	1,964,716
<b>Flats</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	452,899	1,657,808	357,962	448,961	1,717,454	363,277
Basic ZIP+4 and BC	17,855	71,399	16,549	17,749	73,958	16,795
3/5-Digit	690,463	3,157,993	670,562	685,984	3,271,614	680,519
3/5 Digit ZIP+4 and BC	618,379	3,071,211	745,159	614,368	3,181,710	756,225
Carrier Route	1,144,721	7,289,209	1,461,006	1,191,728	7,513,263	1,750,581
High Density / Saturation	982,328	7,797,927	1,003,821	1,001,846	8,037,618	1,202,781
Total Flats	3,866,655	23,045,547	4,255,058	3,961,637	23,795,626	4,770,178
<b>IPPs and Parcels</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	100,426	233,656	120,403	99,775	242,062	122,191
Basic ZIP+4 and BC	-	-	-	-	-	-
3/5-Digit	165,648	401,356	239,220	164,573	415,796	242,773
3/5 Digit ZIP+4 and BC	-	-	-	-	-	-
Carrier Route	17,215	115,123	18,272	17,922	118,662	21,894
High Density / Saturation	5,146	42,580	6,435	5,357	43,868	7,710
Total IPPs and Parcels	288,435	792,695	384,330	287,627	820,389	394,568
<b>All Shapes</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	1,122,000	4,743,570	638,880	1,114,723	4,914,238	648,367
Basic ZIP+4 and BC	199,799	1,084,709	76,485	198,503	1,123,736	77,622
3/5-Digit	1,957,201	10,414,734	1,342,076	1,944,507	10,789,444	1,362,006
3/5 Digit ZIP+4 and BC	1,433,077	8,685,638	1,086,926	1,423,782	8,998,137	1,103,067
Carrier Route	2,291,377	16,749,910	2,121,983	2,385,471	17,264,765	2,542,565
High Density / Saturation	1,230,294	10,224,886	1,164,940	1,280,815	10,539,177	1,395,835
Total All Shapes	8,233,749	51,903,447	6,431,292	8,347,802	53,629,497	7,129,462
<b>GFY RPW Total</b>						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	4,681,516	25,825,555	3,191,062			
Carrier Route	3,666,285	27,803,942	3,938,400			
	8,347,802	53,629,497	7,129,462			
<b>GFY RPW Factors</b>						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	0.99351	1.03598	1.01485			
Carrier Route	1.04106	1.03074	1.19820			

## FY 1994 Standard Mail (A) Bulk Regular Rate

Letters	PERMIT Estimate			Controlled to GFY RPW		
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	557,871	2,795,477	160,413	553,579	2,786,005	162,926
Basic ZIP+4 and BC	167,088	932,168	54,347	165,803	928,678	55,198
3/5-Digit	1,135,085	7,072,435	467,630	1,125,352	7,045,951	474,956
3/5 Digit ZIP+4 and BC	1,047,229	7,224,646	440,076	1,039,172	7,197,592	446,970
Carrier Route	1,244,893	10,282,414	720,890	1,308,873	10,758,571	766,742
High Density / Saturation	269,410	2,445,921	170,145	283,256	2,559,186	180,967
Total Letters	4,421,576	30,754,061	2,013,501	4,477,035	31,275,984	2,087,760
<b>Flats</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	420,934	1,524,499	339,195	417,695	1,516,790	344,503
Basic ZIP+4 and BC	25,239	97,062	24,749	25,044	96,699	25,136
3/5-Digit	609,889	2,771,205	617,229	605,197	2,760,828	626,898
3/5 Digit ZIP+4 and BC	912,483	4,508,944	1,161,592	905,463	4,492,060	1,179,789
Carrier Route	1,211,566	7,532,173	1,712,789	1,273,833	7,880,972	1,821,733
High Density / Saturation	992,310	8,143,308	1,344,271	1,043,309	8,520,407	1,429,774
Total Flats	4,172,421	24,577,191	5,199,824	4,270,541	25,269,755	5,427,839
<b>IPPs and Parcels</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	108,923	254,840	133,232	108,085	253,866	135,320
Basic ZIP+4 and BC	-	-	-	-	-	-
Digit	181,623	444,202	263,116	180,225	442,539	267,238
Digit ZIP+4 and BC	-	-	-	-	-	-
Carrier Route	7,389	50,843	7,933	7,769	53,197	8,438
High Density / Saturation	4,655	39,340	7,439	4,894	41,162	7,913
Total IPPs and Parcels	302,590	789,225	411,721	300,973	790,784	416,908
<b>All Shapes</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	1,087,728	4,575,815	632,840	1,079,359	4,558,881	642,754
Basic ZIP+4 and BC	192,327	1,029,231	79,095	190,847	1,025,377	80,335
3/5-Digit	1,926,597	10,287,842	1,347,976	1,911,774	10,249,318	1,369,093
3/5 Digit ZIP+4 and BC	1,959,712	11,733,590	1,601,868	1,944,635	11,689,652	1,626,759
Carrier Route	2,463,847	17,865,430	2,441,612	2,590,474	18,692,740	2,596,913
High Density / Saturation	1,266,375	10,628,569	1,521,855	1,331,460	11,120,755	1,618,654
Total All Shapes	8,896,587	56,120,477	7,625,047	9,048,549	57,336,523	7,934,508
<b>GFY RPW Total</b>						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	5,126,615	27,523,028	3,718,941			
Carrier Route	3,921,934	29,813,495	4,215,567			
	9,048,549	57,336,523	7,934,508			
<b>GFY RPW Factors</b>						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	0.99231	0.99526	1.01567			
Carrier Route	1.05139	1.04631	1.06361			

## FY 1995 Standard Mail (A) Bulk Regular Rate

## PERMIT Estimate

## Controlled to GFY RPW

Letters	PERMIT Estimate			Controlled to GFY RPW		
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	559,138	2,563,068	147,140	559,985	2,532,640	151,252
Basic ZIP+4 and BC	206,201	1,048,970	61,151	206,513	1,036,517	62,860
3/5-Digit	1,200,600	6,883,397	469,559	1,202,420	6,801,678	482,690
3/5 Digit ZIP+4 and BC	1,336,593	8,447,912	515,382	1,338,618	8,347,619	529,783
Carrier Route	1,434,184	10,879,816	747,490	1,464,657	10,971,374	791,591
High Density / Saturation	308,562	2,572,188	171,890	315,116	2,593,810	182,032
Total Letters	5,045,287	32,395,452	2,112,623	5,087,309	32,283,637	2,200,209
<b>Flats</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	423,644	1,394,597	312,559	424,266	1,378,040	321,303
Basic ZIP+4 and BC	34,335	118,640	30,927	34,387	117,231	31,791
3/5-Digit	661,182	2,758,347	616,244	662,185	2,725,600	633,464
3/5 Digit ZIP+4 and BC	1,174,529	5,342,172	1,344,281	1,176,309	5,278,750	1,381,845
Carrier Route	1,390,230	7,972,949	1,807,613	1,419,759	8,039,971	1,914,259
High Density / Saturation	1,068,262	7,940,394	1,339,549	1,090,953	8,007,142	1,418,581
Total Flats	4,752,182	25,527,099	5,451,184	4,807,878	25,546,734	5,701,245
<b>IPPs and Parcels</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	125,929	262,430	142,407	126,119	259,315	146,386
Basic ZIP+4 and BC	-	-	-	-	-	-
3/5-Digit	228,255	507,829	300,763	228,600	501,800	309,167
3/5 Digit ZIP+4 and BC	-	-	-	-	-	-
Carrier Route	14,319	90,306	15,433	14,623	91,065	16,343
High Density / Saturation	3,020	22,140	3,862	3,085	22,326	4,089
Total IPPs and Parcels	371,523	882,705	462,464	372,428	874,506	475,986
<b>All Shapes</b>						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	1,108,710	4,220,095	602,116	1,110,391	4,159,995	618,941
Basic ZIP+4 and BC	240,535	1,167,610	92,078	240,900	1,153,748	94,651
3/5-Digit	2,090,037	10,149,573	1,386,576	2,093,205	10,029,077	1,425,322
3/5 Digit ZIP+4 and BC	2,511,122	13,790,084	1,859,663	2,514,928	13,626,369	1,911,629
Carrier Route	2,838,742	18,943,170	2,570,535	2,899,038	19,102,409	2,722,194
High Density / Saturation	1,379,845	10,534,722	1,515,302	1,409,154	10,623,279	1,604,702
Total All Shapes	10,168,992	58,805,255	8,026,270	10,267,615	58,704,877	8,377,439
<b>GFY RPW Total</b>						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	5,959,423	28,979,189	4,050,543			
Carrier Route	4,308,192	29,725,688	4,326,896			
	10,267,615	58,704,877	8,377,439			
<b>GFY RPW Factors</b>						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	1.00152	0.98813	1.02794			
Carrier Route	1.02124	1.00841	1.05900			

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**DMA/USPS-T28-2.** Please refer to page 9 of your direct testimony concerning cost differences for IPPs and Parcels in MC97-2 (USPS-T-7) in which you stated that "[b]ecause the volume of Carrier Route parcels is much lower than flats, I feared that the results might vary from year to year. To check for such variations, I looked at three years of data."

- (a) Did you have similar fears while preparing your testimony in this case?
- (b) If your answer to sub-part (a) is "yes," did you check for variations by analyzing additional years of data? If yes, please provide your findings.
- (c) If your answer to sub-part (a) is "no," please explain what had transpired between the filings of your direct testimonies in MC97-2 and R97-1 to allay such fears.

**RESPONSE**

- a. No.
- b. N/A
- c. By the time I wrote my MC97-2 testimony, my "fears" had already been allayed. In each of the three years of data analyzed then (and in the FY 1996 data as well), the cost difference between Carrier Route parcels and flats substantially exceeds the proposed surcharge.

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**DMA/USPS-T28-3.** Please refer to page 9 of your direct testimony in MC97-2 (USPS-T-7), in which you stated that weight may have an impact on cost differences within Standard Mail (A) nonletters and that you analyzed cost differences within the Carrier Route category because you were able to "isolate the cost driving effect of shape as opposed to weight" within that category. Conversely, in your direct testimony in R97-1 (USPS-T-28) (page 11, lines 16-17), you "combine[d] Regular and Enhanced Carrier Route as well as Regular Rate and Nonprofit costs and volumes for purposes of [your] analysis."

- (a) Did you similarly control for the effect of weight for all Standard Mail (A) subclasses in your testimony in R97-1?
- (b) If your answer to sub-part (a) is "no," please explain why you did not control for weight and how this absence of control affects your analysis of shape-based cost differences between flats and parcels in R97-1.
- (c) If your answer to sub-part (a) is "yes," please explain how you controlled for the effect of weight.

**RESPONSE**

- a. I did not explicitly control for any potential "effect of weight".
- b. There is very little evidence that weight per se has a significant impact on Standard Mail (A) parcel costs, particularly in the range of weights discussed. I adopted the "combine[d]" approach I use in R97-1 because, as I state in my testimony, "My costs and volumes cover the same full range ... of pieces that witness Moeller's surcharge will impact." While I completely believe in both the logic and validity of the 'Carrier Route' approach used in MC97-2, Enhanced

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Carrier Route now comprises just 7.2 percent of Standard Mail (A) parcel volume (see Tables 1 and 2 of LR-H-108).

If you are interested in a weight-equivalent analysis very similar to that presented in MC97-2, you can refer to the CD/ROM version of LR-H-108. See my response to DMA/USPS-T28-9. Please note that the cost difference between parcels and flats shown there for Enhanced Carrier Route only is almost twice as high as that presented in MC97-2.

c. N/A

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**DMA/USPS-T28-4.** Please refer page 11, lines 5-8, of your direct testimony (USPS-T-28) and page 2 of LR-H-108 in which you state that Standard Mail (A) volumes by shape are "derived from the Permit/Bravis system" which "recorded mailing statement information from each bulk mail transaction."

- (a) Describe in detail how USPS expected mailers to distinguish between "flats," "IPPs," and "parcels," including without limitation the definitions of these categories that USPS expected mailers to employ, in filling out the mailing statements underlying LR-H-108.
- (b) Please describe whether USPS checked the accuracy and reliability of shape designations on the mailing statement information underlying LR-H-108.
- (c) Please describe whether any penalties or other consequences were imposed on mailers who incorrectly classified IPPs as flats or flats as IPPs on the mailing statements underlying LR-H-108.
- (d) Please describe all steps USPS has taken to determine that its information concerning the categorization of Standard (A) nonletter mail as flats or non-flats is accurate and reliable.

**RESPONSE**

- a. Please see my response to NDMS/USPS-T28-3(a).
- b. It is my understanding that checking shape designations is standard practice upon acceptance and verification of the mailing.
- c., d. The only "consequences" I am aware of would be for the incorrect designation to be corrected upon verification and the appropriate preparation requirements applied. Additionally, there could be a rate implication since automation-compatible flats are limited to 3/4" in thickness. I am informed that

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business mail acceptance clerks undergo a 120 hour Standard Mail Classification Training Program. They should be fully trained in how to distinguish parcels from flats.

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**DMA/USPS-T28-5.** Please confirm that there was no surcharge based on shape applicable to Standard (A) IPPs or parcels during FY 1996. If you are unable to confirm, please describe in detail the nature of any such surcharge.

**RESPONSE**

Confirmed.

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**DMA/USPS-T28-6.** Please describe in a detailed narrative the nature of the activity underlying "mail processing costs" (C/S 3.1a) separately for:

- (a) Carrier Route flats;
- (b) Carrier Route IPPs and parcels;
- (c) Bulk Rate Regular flats; and
- (d) Bulk Rate Regular IPPs and parcels.

**RESPONSE**

a. - d. The type of activities that comprise Cost Segment 3.1, Mail Processing Costs, are fully described in the Summary Description of USPS Development of Costs By Segments and Components, Fiscal Year 1996 (LR-H-1, pages 3-1 through 3-8). I am unaware of any separate description of current processing for each category.

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**DMA/USPS-T28-7.** Please describe in a detailed narrative the nature of the activities underlying the carrier "in-office" labor and support costs (C/S 6.1 and 6.2) separately for:

- (a) Carrier Route flats;
- (b) Carrier Route IPPs and parcels;
- (c) Bulk Rate Regular flats; and
- (d) Bulk Rate Regular IPPs and parcels.

**RESPONSE**

a. - d. The type of activities that comprise Cost Segments 6.1 and 6.2 are fully described in the Summary Description of USPS Development of Costs By Segments and Components, Fiscal Year 1996 (LR-H-1, pages 6-1 through 6-6). I am unaware of any separate description of current processing for each category.

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**DMA/USPS-T28-8.** Please describe in a detailed narrative the nature of the activities underlying the carrier "street" route, access, elemental load, other load and street support costs (C/S 7.1, 7.2, 7.3, 7.4, 7.5) separately for:

- (a) Carrier Route flats;
- (b) Carrier Route IPPs and parcels;
- (c) Bulk Rate Regular flats; and
- (d) Bulk Rate Regular IPPs and parcels.

**RESPONSE**

a. - d. The type of activities that comprise Cost Segments 7.1 through 7.5 are fully described in the Summary Description of USPS Development of Costs By Segments and Components, Fiscal Year 1996 (LR-H-1, pages 7-1 through 7-14). I am unaware of any separate description of current processing for each category.

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**DMA/USPS-T28-9.** Please refer to Table 3 on pages 8 and 9 of LR-H-108. Please provide similar tables for each of the subclasses of Standard Mail (A) for FY 1996.

**RESPONSE**

Those results are provided in the CD-ROM version of LR-H-108. Look under ex-00001/sa96shp.xls. Regular can be found on sheet 'BrOth'. Enhanced Carrier Route can be found on sheet 'BrCrT'. Nonprofit can be found on sheet 'NpOth'. Nonprofit Enhanced Carrier Route can be found on sheet 'NpCrT'. Though the tables say "1995", they actually show FY 1996 data. The analysis was not done for Standard Mail (A) Single Piece.

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**DMA/USPS-T28-12.** Ignoring mail characteristics related to depth of sort, depth of entry, and weight, are there characteristics of nonletter, nonflat pieces that would result in lower than average mail processing costs? Please respond in as much detail as possible.

- a. All else being equal, should the cost of processing a machinable nonletter, nonflat piece be lower than the cost of processing a nonmachinable nonletter, nonflat piece? Please explain your response fully.
- b. All else being equal, should the cost of processing a small (in volume) machinable nonletter, nonflat piece be lower than the cost of processing a large (in volume) machinable nonletter, nonflat piece? Please explain your response fully.
- c. All else being equal, should the cost of processing a sturdy machinable nonletter, nonflat piece be lower than the cost of processing a similar piece that is not sturdy? Please explain your response fully.

**RESPONSE**

Yes, if you mean the average mail processing costs of nonletter, nonflat pieces.

While we have not quantified the impacts, I believe there are characteristics that might result in lower than average costs within Standard Mail (A) nonletter, nonflat pieces. Among these are size (see response to (b) below) and damage resistance.

- a. Machinability is not a characteristic itself, but is the result of other physical characteristics of the piece. If one piece is defined as machinable and another is defined as nonmachinable, there would necessarily be different physical

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characteristics for the two pieces and all else can not be equal. Therefore, I am unable to answer your question.

b. *Confirmed. All else indeed being equal, including the exact processing path and the piece's success in following that path, pieces with a lower cubic volume should, in general, incur lower mail processing costs than those with higher cubic volume. Please see my response to DMA/USPS-T28-16.*

c. However "sturdy" is defined, I am unaware of any data suggesting a clear relationship between sturdiness and processing costs.

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**DMA/USPS-T28-13.** Please confirm that the analysis presented in your direct testimony does not rule out the possibility that an individual nonletter, nonflat piece in a specific rate category could have the same unit attributable cost as all flats in that rate category.

**RESPONSE**

Confirmed that the analysis in my direct testimony does not rule out the possibility that an individual nonletter, nonflat piece might conceivably cost the same as the average unit attributable cost of flats for that rate category.

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**DMA/USPS-T28-14.** Please confirm that the analysis presented in your testimony does not rule out the possibility that a specific type of nonletter, nonflat pieces in a specific rate category could have the same unit attributable cost as all flats in that rate category.

**RESPONSE**

My testimony does not rule out the remote possibility that some small segment of nonletter, nonflat pieces in a specific rate category could have the same unit attributable costs as the average of all flats in that rate category. The Parcel Characteristics Study results in LR-PCR-38 show a number of segments of nonletter, nonflat pieces. It appears extremely unlikely that any of those segments could have the same unit costs as the average of all flats even if one looks only at the average cubic volume per piece.

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**DMA/USPS-T28-15.** Please refer to page 11, line 10, of your direct testimony where you state that "[s]everal studies supply additional data as necessary." Please summarize and produce (as a library reference) the studies to which you referred.

**RESPONSE**

Please see my response to NDMS/USPS-T28-4.

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**DMA/USPS-T28-17.** Please refer to page 11, lines 16-17, of your direct testimony in which you state that you "combine[d] Regular and Enhanced Carrier Route as well as Regular Rate and Nonprofit costs and volumes" for your analysis. Please clarify what types of mail are included in your "Regular Rate" category if different than Standard (A) Regular mail.

**RESPONSE**

Please see my response to PSA/USPS-28-2(a).

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**DMA/USPS-T28-16.** Please confirm that, other than the study filed as LR-PCR-50 in MC97-2 and the studies referenced in your direct testimony in R97-1 regarding weight, depth of sort and depth of entry, the Postal Service has not performed any studies of the cost-causing characteristics of nonletter, nonflat pieces. If not confirmed, please summarize and produce (as a library reference) such studies.

**RESPONSE**

Confirmed. The sources you cite are the only "studies" per se I am aware of referring directly to Standard Mail (A) nonletter, nonflat pieces. There are, however, other data sources available describing the cost-causing characteristics of parcels in general. For example, see the direct testimony of witness Mayes (USPS-T-37, pages 12 through 14) for a discussion of the impact of cubic volume on mail processing and transportation costs.

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**DMA/USPS-T28-18.** Please refer to your response to DMA/USPS-T28-4. Please provide the percentage of mailing statements that were "corrected upon verification" and the reasons that such statements were corrected.

**RESPONSE**

I have no data to answer your question nor do I believe it is available.

**NDMS/USPS-T28-1.**

Please refer to your testimony at page 10, where you refer to LR-H-108.

- a. Did you prepare, or participate in any way in the preparation of, the study contained in LR-H-108?
- b. Unless your answer to preceding part (a) is an unqualified negative, please describe your role with respect to preparation and conduct of the study contained in LR-H-108.
- c. Are you sponsoring the study contained in LR-H-108?
- d. Please indicate whether any other witness in this docket is sponsoring LR-H-108.
- f. The study in LR-H-108 is undated. When did Christensen Associates submit the final report that has been submitted as LR-H-108?
- g. Under terms of the contract for LR-H-108, did the Postal Service designate a technical representative to oversee the study? If so, were you the Postal Service's designated technical representative at any time during the term of this project.

**RESPONSE**

- a. Yes.
- b. I personally supervised both the planning and conduct of the studies described in LR-H-108. I produced and/or assisted with the separate analyses to varying degrees. I completely reviewed the printed version of the library reference, other than the computer documentation.
- c.-d. As a library reference, it is my understanding that LR-H-108 is not sponsored by any witness. However, I have answered, and am available to answer further, questions about it. I understand that my responses can be entered into the record.
- f. I do not agree that the 'study' is undated. It is clearly explained that the analysis is based on 1996 cost and volume data. See, for example, pages 2-3,6-9,11-17 as well as the data sources described. Christensen reproduced the final bound and printed copy and sent copies to postal headquarters the week of June 30, 1997.

**NDMS/USPS-T28-1.**

Please refer to your testimony at page 10, where you refer to LR-H-108.

- e. When did Christensen Associates commence the study in LR-H-108?

**RESPONSE**

- e. The analyses provided in LR-H-108 commenced in April 1997 and use both costs and volumes from fiscal year 1996. The Standard Mail (A) Bulk Parcel Characteristics Study field survey took place between April 1996 and May 1996.

g. One member of our department is designated the official Technical Representative for all contractual resources that we use and handles the administrative details as necessary. Although I am not that person, I oversaw all technical aspects of this project as described in my response to (b) above.

NDMS/USPS-T28-2.

In Docket No. MC97-2, you submitted testimony concerning cost data to support a proposed surcharge for Standard A pieces that are neither letter- nor flat-shaped. Your testimony in that docket referred to Library Reference PCR-38.

- a. Other than the changes to the title page to designate the library reference in this docket, is the study submitted in this docket as LR-H-108 identical to the study in LR-PCR-38?
- b. Unless your answer is an unqualified affirmative, please describe how the study in LR-H-108 differs from that in LR-PCR-38?

RESPONSE

- a. No.
- b. LR-H-108 uses 1996 costs and volumes, allocates Vehicle Service Driver costs based on 'Cube' as opposed to 'Volume', and incorporates the Postal Service's new MODS-based cost pool/volume variability approach into mail processing. Also, LR-H-108 presents all bulk Standard Mail (A) costs and volumes combined (Regular, Enhanced Carrier Route, Nonprofit, and Nonprofit Enhanced Carrier Route).

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**NDMS/USPS-T28-3.**

Your testimony at page 10 presents FY 1996 volume shares for bulk Standard A letters, flats, and parcels (derived from Library Reference H-108).

- a. Describe in detail which pieces of mail are referred to as 'parcels'.
- b. Identify all characteristics that distinguish parcels from flats.
- c. With respect to LR-H-108 and your testimony, are IPPs and 'parcels' synonymous? Unless your answer is an unqualified affirmative, please explain all differences between the two.

**RESPONSE**

a. My overall definition of 'parcels' is based on the In-Office Cost System (IOCS) Field Operating Instructions Handbook F-45 (Docket No. MC96-3, LR-SSR-12) definitions. I have attached pages 94-95, 141-142 for your convenience. It is important to note that for the purposes of my analysis, I do not mean to differentiate parcels from IPPs. Thus 'parcels' in my testimony refers to all pieces within the IOCS-defined category of IPP Machinable, IPP Nonmachinable, Parcel Machinable, Parcel Outside. Specifically for volumes, data are entered into the Permit system based on the shape determination on the postage (mailing) statement. Postage (mailing) statements specifically reference the Domestic Mail Manual (DMM-C050). These two sources define parcels by identical criteria.

The Rural Carrier Cost System is unique and is the only source I am aware of that defines a flat versus a parcel by different dimensional criteria. I have attached the two relevant pages from the Rural Carrier Route Test Instructions Handbook F-56 (LR-H-25). Please notice that the definition of a flat (as opposed to a parcel) is generally broader for purposes of the Rural Carrier Cost System. This means that a higher proportion of costs are allocated to flats than to parcels (as the shapes are consistently defined above in every other data source) in my analysis. Since my source of volumes is as described

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above, the analysis in LR-H-108, therefore, conservatively presents the Rural Carrier cost difference between flats and parcels in Standard Mail (A).

- b. Please see my response to (a) above.
- c. Yes. Please see my response to (a) above.

## Appendix A

# Identifying Parcels

The numbers in parentheses refer to sections of the *Domestic Mail Manual (DMM)*.

## IPP (Irregular Parcels) Machinable

Small, rectangular parcels, weighing 6 to 8 ounces with sufficient density to allow sorting by automatic parcel sorting equipment are considered machinable irregular parcels.

## IPP (Irregular Parcels) Nonmachinable

Irregular parcels cannot be processed by bulk mail center (BMC) parcel sorters. Irregular parcels have one or more of the following characteristics:

- Length—less than 6 inches.
- Width—less than 3 inches.
- Height/thickness—less than 0.25 inch.
- Weight—less than 8 ounces (Exception: Pieces weighing between 6 and 8 ounces are machinable if all sides are rectangular).
- Rolls and tubes up to 26 inches long.
- Unwrapped, paper-wrapped, or sleeved-wrapped articles not letter-size (DMM C050.2) or flat-size (DMM C050.3).
- Merchandise samples not individually addressed.
- Articles enclosed in envelopes not letter-size (DMM C050.2), flat-size (DMM C050.3), or regular (machinable) parcels (DMM C050.4).

## Parcel—Machinable

Machinable parcels can be processed by BMC parcel sorters. Machinable parcels meet the following minimum and maximum criteria and do not have characteristics that would make them flat-size (DMM C050.3), irregular parcels (DMM C050.5), or outside parcels (DMM C050.6).

	Minimum Criteria	Maximum Criteria
Length	6 in.	34 in.
Width	3 in.	17 in.
Height/Thickness	0.25 in.	17 in.
Weight	8 oz. Exception: Pieces weighing between 6 and 8 oz. are machinable if all sides are rectangular	35 lbs. The maximum weight of a machinable (regular) carton containing books or other printed matter is 25 lb.

## Machinable Parcels Exhibit A-1

ATTACHMENT TO RESPONSE TO NDMS/USPS-T28-3

## Nonmachinable Items

PAGE 2 OF 6

The following items are considered nonmachinable:

2203

- Rolls and tubes.
- Paper-wrapped or sleeve-wrapped printed matter.
- Merchandise samples not individually addressed.
- Enveloped materials not reinforced with tape.
- Articles not securely packaged.
- Unpackaged articles.

## Parcels—Outside

Parcels considered outside parcels cannot be processed in postal sacks because of size, shape, density, container, or contents. Characteristics include:

- Length—greater than 34 inches.
- Width—greater than 17 inches.
- Height/Thickness—greater than 17 inches.
- Weight—greater than 35 pounds.
- High density—parcels weighing more than 15 pounds and exerting more than 60 pounds per square foot pressure on their smallest side (e.g., metal castings, hardware, machine parts, auto parts, and similar heavy items) or cartons of books and other printed matter weighing more than 25 pounds (considered outside parcels).
- Liquids—the following:
  - Cartons containing more than 24 ounces of liquid in one or more glass containers.
  - Cartons containing 1 gallon or more of liquid in metal or plastic containers.
  - Cans, paints.
- Rolls and tubes greater than 26 inches in length.
- Metal band-strapped boxes, metal boxes, and wood boxes.
- Articles outside boxes or other containers, including tires, trailer hitches, exhaust pipes, shrubs, and trees.
- Harmful matter and hazardous materials (DMM C020 for mailability requirements).
- Containers with all dimensions exceeding the minimum dimensions for a machinable (regular) parcel if their coefficient of friction or ability to slide on a smooth, hard surface is not similar to that of a domestic class fiberboard box of the same approximate size and weight.

2204

- a. **Letter.** Letter-shape mail consists of pieces with the following dimensions that do not fall within one of the card-shape categories listed in paragraphs b, c, d, e, and f below:

Minimum Size	Maximum Size
Length - 5 in. Height - 3 1/2 in. Thickness - .007 in.	Length - 11 1/2 in. Height - 6 1/8 in. Thickness - 1/4 in.

- b. **Postal Card.** This is a blank card sold by the USPS with a preprinted, precanceled postage stamp.
- c. **Private Mailing Card.** This is a private mailing card for the transmission of messages with postage or a permit imprint affixed. In the case of return postal/private mailing cards, *do not mark short paid* to indicate that a fee is due.
- d. **USPS Form (Penalty Indicia).** This is a Postal Service card that has the Postal Service indicia in the upper right corner of the address side and, generally, a form number that is printed in the lower left corner of the reverse side of the card. Forms 3811, *Domestic Return Receipt* (postal card), and 3811-A, *Domestic Return Receipt* (after mailing), are considered USPS forms if they are found in the mailstream unattached to a mailpiece.

**Note:** If you are not certain the piece is a postal card, private mailing card, or a USPS form, review the examples in the Handbook F-46, *In-Office Cost Sampling System—Mail Identification Examples*.

- e. **Other Agency Card.** This shape is a U.S. Government card that has "Postage and Fees Paid" indicia in the upper right corner on the address side of the card.
- f. **Oversized Card.** This is a privately printed mailing card larger than 4 1/4 inches by 6 inches. If the employee is handling such a card, regardless of the mailer, enter *Oversized Card* in Question 22.
- g. **Flat.** Flat-shape mail is unwrapped, paper-wrapped, sleeve-wrapped, and enveloped matter that exceeds one or more of the maximum dimensions for letter-size mail but that does not exceed any of the maximum dimensions for flat-size mail.

Minimum Size	Maximum Size
Length - over 11 1/2 in.	Length - 15 in.
Height - over 6 1/8 in.	Height - 12 in.
Thickness - .007 in.	Thickness - 3/4 in.

- h. **IPP Machinable, IPP Nonmachinable, Parcel Machinable, Parcel Outside.** These four shapes are listed in Question 22. Do not determine which of these shapes to mark by the way a parcel is being handled. Instead, apply the criteria of length, width, height/thickness, and weight. See Appendix A. Definitions.
- i. **Keys and Identification Items.** These articles are often considered nonmachinable IPPs. However, for the In-Office Cost System, they are specifically identified.
- j. **Detached Address Card-Parent Piece Unidentifiable.** Enter this item if the employee is handling a detached address card and the parent piece is not accompanying the card, or it is not possible to identify the parent piece.

Note: Definitions for the shapes of mail can be accessed on the computer by pressing the <F1> key.

12-31.

If you enter Item A, B, C, D, E, or F in Question 22, you are asked if the mailpiece is *Automation Compatible*. Automation Compatibility must be determined by using the current version of the *Automation Compatibility & Mail Dimensions Standards Template-IOCS/RPW*.

SHAPE - SINGLE PIECE	
A. Letter	Template MUST BE USED to determine Automation Compatibility.
B. Postal Card	
C. Private Mailing Card	Automation Compatible?
D. USPS Form (Penalty Indicia)	(Y/N) [ ]
E. Other Agency Card	
F. Oversized Card	Is there a RBCS ID on the back of the piece?
G. Flat	
H. IPP Machinable	(Y/N) [ ]
I. IPP Nonmachinable	
J. Parcel Machinable	
K. Parcel Outside	
L. Keys and Identification Items	
M. Detached Address Card - Parent Piece Unidentifiable	

## Appendix A — Identifying Shapes, Types, and Classes of Mail

### A. Identifying Shapes and Types of Mail

1. **Shapes and Types.** Six shapes and types of mail are distinguished in the rural carrier mail count. "Letter-size," "flat-size," and "parcels" relate to shapes. "Boxholder," "accountable," and "postage due" relate to types. Each of these shapes and types is used during national and special mail counts in evaluating rural routes.
2. **Different Definitions.** Please note that shapes identified in Handbook PO-603, *Rural Carrier Duties and Responsibilities*, are significantly different from the *Domestic Mail Manual* definition of shapes used in the City Carrier Cost System.
3. **Template.** Use the Carrier Cost System Rural Carrier Route Template (referred to as rural carrier route template in this handbook) to identify the shape of mailpieces. The template is printed with the measurements of each shape of mail and can help you determine whether the piece is a letter, flat, or parcel. In addition to the original large yellow model, the template exists as a facsimile in the rural carrier data entry program and is printed on Form 2849.
4. **Special Count of Mail.** If you are uncertain about the shape of a piece when using these definitions, count the item as it would be counted during the annual Special Count of Mail on select rural routes. The carrier or postmaster can tell you how a mailpiece was counted during the national count.
5. **OBSS Case.** The OBSS case (One-Bundle, Sliding-Shelf) adds another dimension to the counting of mail. All mail for a stop is cased together without regard to size or shape. Shapes of mail in OBSS cases follow the same general rules. However, the mail may have to be separated into letters, flats, and parcels for each selected stop before recording the number of pieces by shape. The definitions of these shapes and types of mail are also the same as for the national Special Count of Mail.
6. **Definitions. Not Delivery Point Sequenced (DPS) Route.**
  - a. **Letter-Shape Mail.** This consists of ordinary letters, cards, newsletter-type mail, and circulars, 5 inches or less wide and 3/8 inch or less thick, which can be cased in the separations of the carrier case. Small magazines and small catalogs 5 inches or less wide and 3/8 inch or less thick are included.
  - b. **Flat-Shaped Mail.** This mail consists of newspapers, magazines, catalogs, rolls, and other pieces exceeding letter-size dimensions that can be cased for delivery. Any mailpiece that exceeds the 5-inch maximum width of a letter must be recorded as flat-shaped mail. Do not include items specifically referenced in the definition of parcels.

- c. **Parcel-Shaped Mail.** This mail consists of any article that exceeds any one of the following dimensions: 5 inches high, 18 inches long, and 1-9/16 inches wide.
- d. **Example:** Record a rigid article that measures 4 inches by 15 inches by 1-3/4 inches (4" x 15" x 1-3/4") as a parcel because the 1-3/4 inch thickness exceeds the 1-9/16 inch criteria. A rigid article that measures 5 inches by 18 inches by 1-9/16 inches would be recorded as a flat because none of the dimensions exceeds the stated criteria. This includes articles properly prepared and endorsed "Do Not Fold or Bend." In addition, any nonrigid article that cannot fit in the letter or flat separations (where flat separations are used) with other mail is considered a parcel. The carrier has the option of handling odd size articles either with flat mail or separately regardless of how it is credited in the rural route count. Record the piece as it is credited in the rural route count. Each direct bundle distributed and tied out at the mail distribution cases is counted as a parcel. Direct bundles tied out at the carrier's case are not counted as parcels.
7. **Definition. Delivery Point Sequenced (DPS) Route.** Same as above, except widths are 6-1/8 inches for the maximum letter and minimum flat dimension.
8. **Parcels.** Only parcels taken out for delivery for the first time are included in the count. A notice of attempt to deliver a parcel, delivered in place of a parcel, is counted as the parcel. Record the notice under the same class as the parcel.
9. **Identifying and Comparing Shapes and Types of Mail**
- a. **Maximum Sizes.** These maximums for rural carriers deviate from the DMM maximums for letter-shape mail of 11-1/2 inches for length, 6-1/8 inches for width (or "height") and 1/4 inch for thickness. It is particularly important to note that the maximum width for a rural route letter is 5 inches rather than the DMM standard of 6-1/8 inches. Hence, letter-shape mail more than 5 inches wide must be recorded as flat-shaped mail on rural routes. It is important that the 5-inch width dividing line between letters and flats be recognized because the Carrier Cost System data are used to allocate costs to classes and subclasses in conjunction with the Special Count of Mail on rural routes in which the maximums listed above (i.e., 18 inches, 5 inches, and 3/8 inch) are used rather than the DMM maximums. (DMM C050)
- b. **Boxholder**
- (1) **Definition.** Boxholder consists of a mailing scheduled for delivery to each stop or possible box and to each post office box on a route. The individual name and street address or post office box number may be omitted under the simplified address format for boxholder mail. This omission is also true for official matter mailed by government agencies (federal, state, county, or municipal) as described in DMM E215.1.2.

**NDMS/USPS-T28-4.**

Your testimony at page 11 states that "[s]everal studies supply additional data as necessary." Please identify all other studies that supplied additional data, and provide references to the data that were utilized from each other study which you identify.

**RESPONSE**

The Standard Mail (A) Bulk Parcel Characteristics Study is described in Appendix C of LR-PCR-38. The Density Study is described in Docket No. MC95-1, LR-MCR-13. These studies are used to provide the density (pounds/cubic foot) of Bulk Standard Mail (A).

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**NDMS/USPS-T28-5.**

- a. Does the Postal Service have a definition of an IPP in terms of length, height, weight, shape etc.? If so, please provide.
- b. What distinguishes an IPP from a parcel (i.e., a piece that is a non-letter, non-flat)?
- c. Are IPPs ever machinable? On what machines? Please supply all cost data available that show the cost of processing (i) machinable IPPs versus the cost of processing (ii) nonmachinable IPPS, or (iii) machinable small parcels versus (iv) nonmachinable small parcels.

**RESPONSE**

- a. Yes. Please see my response to NDMS/USPS-T28-3(a).
- b. Please see my response to NDMS/USPS-T28-3(a).
- c. Yes. Parcel sorting machines and Small Parcel and Bundle Sorters. (i) and (ii)

Please refer to Docket No. MC97-2, LR-PCR-50. I am aware of no other cost data to answer your question as it relates to Standard Mail (A) parcels.

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**NDMS/USPS-T28-6.**

- a. Please provide cross references between the components of the hardcopy version of LR-H-108 and all of the various directions and files within each directory found on the CD version of LR-H-108.
- b. For each individual file contained in the CD version of LR-H-108, please indicate the program (including the version of the program) that was used to generate the file (e.g., Excel 5.0, WordPerfect 7.0., etc.)

**RESPONSE**

The attached pages describe the contents of the CD-ROM files for LR-H-108. Please note that not all the files have a direct cost reference to the hard-copy version of LR-H-108. As discussed in Appendix A, many of the files were developed on a UNIX system using the FORTRAN programming language. For this reason, several of these files will not be accessible through standard PC word processing or spreadsheet software programs.

## ATTACHMENT TO RESPONSE TO NDMS/USPS-T28-6

PAGE 1

The directory "EXCEL" stores the Excel 7.0 spreadsheets which contain the analyses presented in the library reference.

<u>File</u>	<u>Input File</u>	<u>Includes Tables (from LR-H-108)</u>
1 cstbyshp.xls	LR-H-106 Data	
2 dlvcst96.xls	CRA Workpapers	Table 5, Table 6
3 estsan96.xls	est3np.csv, est3np_w.csv	
4 estsar96.xls	est3rd.csv, est3rd_w.csv	
5 iospt96.xls	CRA Workpapers	Table 4
6 sa96shp.xls	All other spreadsheets	Table 3, Table 7
7 stda96.xls	estsar96.xls, estsan96.xls	Table 1, 2, A-1 - A-4

## ATTACHMENT TO RESPONSE TO NDMS/USPS-T28-6

PAGE 2

The following programs are located in the directory "PROGRAMS" on the CD/ROM. They were all created by the UNIX program editor "emacs". Files with an .f extension are Fortran source code, files with an .sm extension are DGUX sort/merge source codes, and the remaining files are either Korn shell or C shell scripts.

These files are documented in Appendix A of the hard-copy version of LR-H-108.

<u>Unix Program Name</u>	<u>CD-ROM Name</u>	<u>Program Documentation at Page</u>	<u>Source Code at Page</u>	<u>Created by</u>
1 proctape.pmt	proctape.pmt	A-6	A-20	emacs
2 breakout.new	breakout.new	A-6	A-25	emacs
3 pipare.sm	pipare.sm	A-6	A-26	emacs
4 unpackpi_tdt.f	unpackpi.f	A-6	A-27	emacs
5 sorttmp.sm	sorttmp.sm	A-6	A-30	emacs
6 reverreg_tdt.f	reverreg.f	A-7	A-31	emacs
7 sorttm.sm	sorttm.sm	A-7	A-33	emacs
8 permitbyap.f	perbyap.f	A-7	A-34	emacs
9 doextract	doextract	A-8	A-38	emacs
10 revaccts_byap.f	revacc.f	A-8	A-40	emacs
11 strata_dan.f	strata.f	A-8	A-44	emacs
12 pmtstrata.f	pstr.f	A-9	A-47	emacs
13 brvstrata.f	bstr.f	A-9	A-49	emacs
14 pmtzcat_3rd	zcat_3rd	A-11	A-51	emacs
15 bin3rd96.f	bin3rd96.f	A-11	A-52	emacs
16 check3rd.f	check3rd.f	A-11	A-59	emacs
17 pmtzcat_stda	zcat_std	A-11	A-65	emacs
18 bin_stda.f	bin_stda.f	A-11	A-67	emacs
19 check_stda.f	chkstd.f	A-11	A-74	emacs
20 bravzcat	bravzcat	A-12	A-82	emacs
21 rollbrv.f (regular rate)	rollbrv.f	A-12	A-83	emacs
22 check3rdb.f	chk3rdb.f	A-12	A-90	emacs
23 wgt_3rd_roll.f	wroll3d.f	A-12	A-96	emacs
24 permit.h	permit.h	A-12	A-100	emacs
25 permit_read.h	p_read.h	A-12	A-101	emacs
26 wgt_std_roll.f	wrollst.f	A-12	A-	emacs
27 permit_stda.h	pstda.h	A-14	A-	emacs
28 permit_read_stda.h	pstda_rd.h	A-15	A-	emacs
29 est3rd96.f	est3rd96.f	A-14	A-102	emacs
30 est3rd96_w.f	est3rd_w.f	A-15	A-112	emacs
31 pmtzcat_3np	zcat_3np	A-16	A-122	emacs
32 bin3np96.f	bin3np96.f	A-16	A-123	emacs
33 check3np.f	check3np.f	A-16	A-130	emacs
34 bravzcat	bravzcat	A-16	A-137	emacs
35 rollbrv.f (nonprofit rate)	rolbrvnp.f	A-16	A-138	emacs
36 wi_cat	wi_cat	A-16	A-152	emacs
37 weight_roll_np.f	wrlnp.f	A-17	A-153	emacs
38 est3np.f	est3np.f	A-17	A-159	emacs
39 est3np_w.f	est3np_w.f	A-17	A-168	emacs

## ATTACHMENT TO RESPONSE TO NDMS/USPS-T28-6

PAGE 3

The following files are stored in directory "MAPS". They are information files used by the programs documented in Appendix A.

<u>Unix File Name</u>	<u>CD-ROM Name</u>	<u>Creating Program at Page</u>	<u>Created by</u>	<u>Format</u>
1 finno.pmt (regular rate)	finnor.pmt	-NA-	emacs	ascii
2 finno.brw (regular rate)	finnor.brw	-NA-	emacs	ascii
3 finno.pmt (nonprofit)	finnon.pmt	-NA-	emacs	ascii
4 finno.brw (non profit)	finnon.brw	-NA-	emacs	ascii
5 finstrata_date.pmt (regular rate)	findt.pnt	A-9	pmtstrata.f	ascii
6 finstrata.brw(regular rate)	finst.brw	A-9	brvstrata.f	ascii
7 finstrata_date.pmt (nonprofit)	finstnp.pmt	A-9	pmtstrata.f	ascii
8 finstrata.brw(nonprofit)	finstnp.brw	A-9	brvstrata.f	ascii
9 vip3rd.96	vip3rd.96	-NA-	emacs	ascii
10 vipstda96.dat	vipstda96.dat	-NA-	emacs	ascii
11 error.codes	error.cds	-NA-	emacs	ascii
12 vip96inf.pm	vip96inf.pm	-NA-	emacs	ascii
13 vip3np.96	vip3np.96	-NA-	emacs	ascii
14 finsbyap.all (regular rate)	finsbyap.all	-NA-	emacs	ascii
15 finsbyap.all (nonprofit)	finsbynp.all	-NA-	emacs	ascii

## ATTACHMENT TO RESPONSE TO NDMS/USPS-T28-6

PAGE 4

The following files are in directory "DATA". These are the raw transaction files of PERMIT and BRAVIS data. They are stored in "gzip" format, which is a standard UNIX compression format. The Microsoft utility "Winzip" is able to un-compress these files.

	<u>Unix File Name</u>	<u>CD-ROM Name</u>	<u>Creating Program at Page</u>	<u>Created by</u>	<u>Format</u>
1	permit.3rd.*	p3rd.*	A-7	permitbyap.f	gzip
2	permit.3np.*	p3np.*	A-7	permitbyap.f	gzip
3	bravis.3rd.*	b3rd.*	-NA-**	-NA-	gzip
4	bravis.3np.*	b3np.*	-NA-	-NA-	gzip

where \* is 01, 02, ... 13

\*\* - The BRAVIS files are simply the linked versions of diskette files used to produce the volume data.

## ATTACHMENT TO RESPONSE TO NDMS/USPS-T28-6

PAGE 5

The following files are in directory "OUTPUT". These are files created by Fortran programs that are either used by other programs or imported into Excel for creation of tables.

	<u>Unix File Name</u>	<u>CD-ROM Name</u>	<u>Creating Program at Page</u>	<u>Created by</u>	<u>Format</u>
1	strata.41411	strata.411	A-9	strata_dan.f	ascii
2	strata.41414	strata.414	A-9	strata_dan.f	ascii
3	est3rd.csv	est3rd.csv	A-14	est3rd96.f	ascii
4	est3rd.control	est3rd.cnt	A-14	est3rd96.f	ascii
5	est3rd_w.csv	est3rd_w.csv	A-15	est3rd96_w.f	ascii
6	est3np96.csv	est3np96.csv	A-17	est3np96.f	ascii
7	est3np.control	est3np.cnt	A-17	est3np96.f	ascii
8	est3np_w.csv	est3np_w.csv	A-18	est3np96_w.f	ascii

**NDMS/USPS-T28-7.**

Did you make any effort to compute separately the cost of Standard A Regular Rate ECR parcels and ECR flats? If so, please provide those results, and show the computation used to derive those results. If not, please explain why you made such a computation in your testimony in Docket No. MC97-2, USPS-T-7, but did not feel that it was necessary in this docket.

**RESPONSE**

Yes. Those results are provided in the CD-ROM version of LR-H-108. Look under ex-00001/sa96shp.xls, sheet 'BrCr'. Though the table says "1995", it actually shows FY 1996 data.

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**NDMS/USPS-T28-8.**

Are the costs shown in Table 3 of LR-H-108 for Regular Rate and Nonprofit Rate combined?

**RESPONSE**

Yes. Please see my testimony at page 11, lines 15 and 16 or Table 3, page 2,

Distribution Keys, Volume of Mail, Source, Table 2.

**NDMS/USPS-T28-9.**

LR-H-108 states (p. 2) that "the mailing statement includes the shape ... and weight by detailed rate category of mail."

- a. Provide a copy of a blank mailing statement.
- b. Please explain all ways in which the mailing statement distinguishes between Standard A parcels and flats.
- c. How does the mailing statement distinguish between an 8-ounce flat and an 8-ounce non-flat (i.e., a "parcel")?
- d. Suppose envelopes with height 7" and length 9-1/2" contained photographic prints with thickness that varied between 3/4" and 1" thick. How would such envelopes be recorded on a mailing statement? In the survey conducted for LR-H-108, would such envelopes be classified as flats or parcels?
- e. How would 7" x 9-1/2" envelopes containing 1 to 3 rolls of film be recorded on a mailing statement? In the survey conducted for LR-H-108, would such envelopes be classified as flats or parcels?
- f. Suppose a Standard A bulk mailing consists of non-identical 7" x 9-1/2" envelopes (i.e., varying weight and thickness). Assume some envelopes are less than 3/4" thick while others exceed 3/4" thick. In the survey conducted for LR-H-108, would such pieces be recorded as flats or parcels?

**RESPONSE**

- a. Mailing (postage) statements can be found on the U.S. Postal Service web site ([www.usps.gov/busctr/welcome.htm](http://www.usps.gov/busctr/welcome.htm), "print-on-demand forms"). I have printed and attached a copy of one for your convenience.
- b. Please see my response to NDMS/USPS-T28-3(a).
- c. Please see my response to NDMS/USPS-T28-3(a).
- d. Please see my response to NDMS/USPS-T28-3(a). According to the DMM definition, all pieces of mail with a thickness exceeding 3/4" are to be classified as parcels.
- e. I do not know the weight or dimensional characteristics of an envelope containing between one and three rolls of film. The data in LR-H-108 defines pieces as flats or parcels based on the sources described in my response to NDMS/USPS-T28-3(a).

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Response to NDMS/USPS-T28-9 continued

Revised  
8/27/97

f. Assuming you are referring to the analysis presented in LR-H-108 and not the survey referred to in LR-H-108 and supplied as LR-PCR-50, they would be classified as flats and parcels based on the Processing Category checked on the Postage (mailing) statement. Also, according to the DMM, flats and parcels have different preparation requirements, making your hypothetical situation appear unlikely.

The situation you describe may indeed occur, but it is my understanding that the volume proportion is usually either heavily weighted towards pieces over 3/4" in thickness or pieces under 3/4" in thickness. The clerk confirms the processing category based on the majority of the volume in the mailing.

United States Postal Service

PAGE 1  
OF 2

**Postage Statement — Standard Mail (A)**  
**(For Than Nonprofit) — Permit Imprint**

Complete all items by typewriter, pen, or indelible pencil. If you need a receipt, prepare in duplicate.

Mailer Information	Office of Mailing		Mailing Date	Processing Category <input type="checkbox"/> Letters (DMM C050) <input type="checkbox"/> Flats (DMM C050) <input type="checkbox"/> Automation Flats (DMM C820) <input type="checkbox"/> Machinable Parcels (DMM C050) <input type="checkbox"/> Irregular Parcels (DMM C050)	USPS Authorized Mailing ID Code(s)	
	Permit No.	Federal Agency Cost Code	Statement Sequence No.			
	Permit Holder's Name and Address (Include ZIP Code)		Telephone	Receipt No.	Prepared Under DMM (Check all that apply) <input type="checkbox"/> M610 (Letters, flats, parcels) <input type="checkbox"/> M610 (Upgradable letters) <input type="checkbox"/> M620 (Enhanced Carrier Route) <input type="checkbox"/> M810 (Automation letters) <input type="checkbox"/> M820 (Automation flats)	
			Number of Containers (Fill in all that apply)			
			1-Ft MM Trays	2-Ft MM Trays	2-Ft EMM Trays	Total Lb Trays
			Flat Trays <u>N/A</u>	Sacks	Pallets	Other
Customer No. _____ (Dun & Bradstreet) CTAS Cust. Ref. ID _____		Weight of a Single Piece _____ pounds			If Sacking, Based On <input type="checkbox"/> 125 pieces <input type="checkbox"/> 15 pounds <input type="checkbox"/> Both	
		Total Pieces	Total Weight			
Name and Address of Individual or Organization for Which Mailing Is Prepared (If other than permit holder)			Name and Address of Mailing Agent (If other than permit holder)			
Customer No. _____ (Dun & Bradstreet)			Customer No. _____ (Dun & Bradstreet)			

Postage Computation	<input type="checkbox"/> For Regular automation rate letter-size (DMM C810) or flat-size pieces (see DMM C820) weighing .2068 lb. (3.3087 oz.) or less, go to Part A on reverse of this form. <input type="checkbox"/> For Regular nonautomation rate pieces (DMM C050) weighing .2068 lb. (3.3087 oz.) or less, go to Part B on reverse of this form. <input type="checkbox"/> For Enhanced Carrier Route rate pieces (DMM C050) weighing .2066 lb. (3.3062 oz.) or less, go to Part C on reverse of this form. <input type="checkbox"/> For Enhanced Carrier Route rate pieces weighing more than .2066 lb. (3.3062 oz.), or Regular pieces weighing more than .2068 lb. (3.3087 oz.) but all less than 1.0 lb. (16.0 oz.), go to Part D on reverse of this form.		Postage (From reverse side)	Part A	\$
				Part B	\$
				Part C	\$
				Part D	\$
<input type="checkbox"/> Additional Postage Payment (State reasons) <input type="checkbox"/> Single-Piece Rate <input type="checkbox"/> Nonstandard Surcharge <input type="checkbox"/> Special Service (Specify)		No. Pieces	Rate/Fee Per Pc.	\$	
Is applicable bulk per piece rate affixed to each piece? (Form 3602-PR required) <input type="checkbox"/> Yes <input type="checkbox"/> No		Total Postage		\$	

Certification	<input type="checkbox"/> For Enclosed Reply Pieces (Automation rates only) (Effective 1/1/97): I certify that all business reply, courtesy reply, or metered reply letter-size cards or envelopes, enclosed in the pieces described above, bear the correct facing identification mark (FIM) and barcode under DMM C810. <input type="checkbox"/> For ZIP Codes (Nonautomation rates only): I certify that the ZIP Codes appearing on the pieces described above have been verified and corrected where necessary within 12 months of the date of this mailing using a USPS-approved method.	
	The signature of a mailer certifies that it will be liable for and agrees to pay, subject to appeals prescribed by postal laws and regulations, any revenue deficiencies assessed on this mailing. (If this form is signed by an agent, the agent certifies that it is authorized to sign this statement, that the certification binds the agent and the mailer, and that both the mailer and the agent will be liable for and agree to pay any deficiencies.)  The submission of a false, fictitious, or fraudulent statement may result in imprisonment of up to 5 years and a fine of up to \$10,000 (18 USC 1001). In addition, a civil penalty of up to \$5,000 and an additional assessment of twice the amount falsely claimed may be imposed (31 USC 3802).  I hereby certify that all information furnished on this form is accurate and truthful, that this mailing meets all applicable CASS/MASS standards for address and barcode accuracy, and that the material presented qualifies for the rates of postage claimed.	
	Signature of Permit Holder or Agent (Both principal and agent are liable for any postage deficiency incurred.)	Telephone

USPS Only	Single-Piece Weight _____ pounds	Are figures at left adjusted from mailer's entries? <input type="checkbox"/> Yes <input type="checkbox"/> No		
	Total Pieces	Total Weight	If "Yes," Reason	
	Total Postage			
	<input checked="" type="checkbox"/> One Sort Verification Scheduled <input type="checkbox"/> Presort Verification Performed as Scheduled	Date Mailer Notified	Contact	By (Initials)
I CERTIFY that this mailing has been inspected concerning: (1) eligibility for postage rate claimed; (2) proper preparation (and presort where required); (3) proper completion of postage statement; and (4) payment of required annual fee.			Round Stamp (Required)	
Signature of Weigher		Time	AM PM	

Form 3602-R — Standard Mail (A) (Other Than Nonprofit) — Permit Imprint

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Postage Computation

Entry Discount (If any)	Presort / Automation Discounts	Net Rate	Count (Pcs. / Lbs.)	Charge
<b>A</b> Regular Automation Rates — Letters (DMM C810) and Flats (DMM C820) Weighing .2068 Lb. (3.3087 Oz.) or Less				
None	5-Digit Letter	.155 x	_____ pcs. = \$	_____
	3-Digit Letter	.175 x	_____ pcs. = \$	_____
	Basic Letter	.183 x	_____ pcs. = \$	_____
	3/5 Flat	.189 x	_____ pcs. = \$	_____
	Basic Flat	.277 x	_____ pcs. = \$	_____
DBMC	5-Digit Letter	.142 x	_____ pcs. = \$	_____
	3-Digit Letter	.162 x	_____ pcs. = \$	_____
	Basic Letter	.170 x	_____ pcs. = \$	_____
	3/5 Flat	.176 x	_____ pcs. = \$	_____
	Basic Flat	.264 x	_____ pcs. = \$	_____
DSCF	5-Digit Letter	.137 x	_____ pcs. = \$	_____
	3-Digit Letter	.157 x	_____ pcs. = \$	_____
	Basic Letter	.165 x	_____ pcs. = \$	_____
	3/5 Flat	.171 x	_____ pcs. = \$	_____
	Basic Flat	.259 x	_____ pcs. = \$	_____

Part A (Carry to front of form) \$ \_\_\_\_\_

Entry Discount (If any)	Presort / Automation Discounts	Net Rate	Count (Pcs. / Lbs.)	Charge
<b>C</b> Enhanced Carrier Route Rates — Pieces Weighing .2066 Lb. (3.3062 Oz.) or Less				
None	Saturation Letter	.133 x	_____ pcs. = \$	_____
	Saturation Nonletter	.137 x	_____ pcs. = \$	_____
	High Density Letter	.142 x	_____ pcs. = \$	_____
	Basic Automation Letter	.146 x	_____ pcs. = \$	_____
	High Density Nonletter	.147 x	_____ pcs. = \$	_____
	Basic Letter	.150 x	_____ pcs. = \$	_____
	Basic Nonletter	.155 x	_____ pcs. = \$	_____
DBMC	Saturation Letter	.120 x	_____ pcs. = \$	_____
	Saturation Nonletter	.124 x	_____ pcs. = \$	_____
	High Density Letter	.129 x	_____ pcs. = \$	_____
	Basic Automation Letter	.133 x	_____ pcs. = \$	_____
	High Density Nonletter	.134 x	_____ pcs. = \$	_____
	Basic Letter	.137 x	_____ pcs. = \$	_____
	Basic Nonletter	.142 x	_____ pcs. = \$	_____
DSCF	Saturation Letter	.115 x	_____ pcs. = \$	_____
	Saturation Nonletter	.119 x	_____ pcs. = \$	_____
	High Density Letter	.124 x	_____ pcs. = \$	_____
	Basic Automation Letter	.128 x	_____ pcs. = \$	_____
	High Density Nonletter	.129 x	_____ pcs. = \$	_____
	Basic Letter	.132 x	_____ pcs. = \$	_____
	Basic Nonletter	.137 x	_____ pcs. = \$	_____
DDU	Saturation Letter	.110 x	_____ pcs. = \$	_____
	Saturation Nonletter	.114 x	_____ pcs. = \$	_____
	High Density Letter	.119 x	_____ pcs. = \$	_____
	Basic Automation Letter	.123 x	_____ pcs. = \$	_____
	High Density Nonletter	.124 x	_____ pcs. = \$	_____
	Basic Letter	.127 x	_____ pcs. = \$	_____
	Basic Nonletter	.132 x	_____ pcs. = \$	_____

Total — Part C (Carry to front of form) \$ \_\_\_\_\_

Entry Discount (If any)	Presort / Automation Discounts	Net Rate	Count (Pcs. / Lbs.)	Charge
<b>B</b> Regular Nonautomation Rates — Pieces Weighing .2068 Lb. (3.3087 Oz.) or Less				
None	3/5 Letter	.209 x	_____ pcs. = \$	_____
	3/5 Nonletter	.225 x	_____ pcs. = \$	_____
	Basic Letter	.256 x	_____ pcs. = \$	_____
	Basic Nonletter	.306 x	_____ pcs. = \$	_____
DBMC	3/5 Letter	.196 x	_____ pcs. = \$	_____
	3/5 Nonletter	.212 x	_____ pcs. = \$	_____
	Basic Letter	.243 x	_____ pcs. = \$	_____
	Basic Nonletter	.293 x	_____ pcs. = \$	_____
DSCF	3/5 Letter	.191 x	_____ pcs. = \$	_____
	3/5 Nonletter	.207 x	_____ pcs. = \$	_____
	Basic Letter	.236 x	_____ pcs. = \$	_____
	Basic Nonletter	.288 x	_____ pcs. = \$	_____

Total — Part B (Carry to front of form) \$ \_\_\_\_\_

Entry Discount (If any)	Presort / Automation Discounts	Net Rate	Count (Pcs. / Lbs.)	Charge
<b>D</b> Check <input type="checkbox"/> Regular Rate Pieces Weighing More Than .2068 Lb. (3.3087 Oz.) but Less Than 1.0 Lb. (16.0 Oz.) One: <input type="checkbox"/> Enhanced Carrier Route Rate Pieces Weighing More Than .2066 Lb. (3.3062 Oz.) but Less Than 1.0 Lb. (16.0 Oz.)				
None	Saturation ECR	.000 x	_____ pcs. = \$	_____
	plus	.663 x	_____ lbs. = \$	_____
	High Density ECR	.010 x	_____ pcs. = \$	_____
	plus	.663 x	_____ lbs. = \$	_____
	Basic ECR	.018 x	_____ pcs. = \$	_____
	plus	.663 x	_____ lbs. = \$	_____
	3/5 Automation*	.049 x	_____ pcs. = \$	_____
	plus	.677 x	_____ lbs. = \$	_____
	3/5 Nonautomation	.085 x	_____ pcs. = \$	_____
	plus	.677 x	_____ lbs. = \$	_____
	Basic Automation*	.137 x	_____ pcs. = \$	_____
	plus	.677 x	_____ lbs. = \$	_____
	Basic Nonautomation	.166 x	_____ pcs. = \$	_____
	plus	.677 x	_____ lbs. = \$	_____
DBMC	Saturation ECR	.000 x	_____ pcs. = \$	_____
	plus	.599 x	_____ lbs. = \$	_____
	High Density ECR	.010 x	_____ pcs. = \$	_____
	plus	.599 x	_____ lbs. = \$	_____
	Basic ECR	.018 x	_____ pcs. = \$	_____
	plus	.599 x	_____ lbs. = \$	_____
	3/5 Automation*	.049 x	_____ pcs. = \$	_____
	plus	.613 x	_____ lbs. = \$	_____
	3/5 Nonautomation	.085 x	_____ pcs. = \$	_____
	plus	.613 x	_____ lbs. = \$	_____
	Basic Automation*	.137 x	_____ pcs. = \$	_____
	plus	.613 x	_____ lbs. = \$	_____
	Basic Nonautomation	.166 x	_____ pcs. = \$	_____
	plus	.613 x	_____ lbs. = \$	_____
DSCF	Saturation ECR	.000 x	_____ pcs. = \$	_____
	plus	.578 x	_____ lbs. = \$	_____
	High Density ECR	.010 x	_____ pcs. = \$	_____
	plus	.578 x	_____ lbs. = \$	_____
	Basic ECR	.018 x	_____ pcs. = \$	_____
	plus	.578 x	_____ lbs. = \$	_____
	3/5 Automation*	.049 x	_____ pcs. = \$	_____
	plus	.592 x	_____ lbs. = \$	_____
	3/5 Nonautomation	.085 x	_____ pcs. = \$	_____
	plus	.592 x	_____ lbs. = \$	_____
	Basic Automation*	.137 x	_____ pcs. = \$	_____
	plus	.592 x	_____ lbs. = \$	_____
	Basic Nonautomation	.166 x	_____ pcs. = \$	_____
	plus	.592 x	_____ lbs. = \$	_____
DDU	Saturation ECR	.000 x	_____ pcs. = \$	_____
	plus	.552 x	_____ lbs. = \$	_____
	High Density ECR	.010 x	_____ pcs. = \$	_____
	plus	.552 x	_____ lbs. = \$	_____
	Basic ECR	.018 x	_____ pcs. = \$	_____
	plus	.552 x	_____ lbs. = \$	_____

\*Available only for automation-compatible flats (DMM C820)

Total — Part D (Carry to front of form) \$ \_\_\_\_\_

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES OF NDMS**

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**NDMS/USPS-T28-10.**

With respect to the study in LR-H-108, please describe all edit programs and other checks used to assure that parcels were not mis-recorded as flats, and vice-versa.

**RESPONSE**

The analysis in LR-H-108 itself does not contain any "edit programs" as such.

**NDMS/USPS-T28-11.**

Please refer to LR-H-108, at the table showing FY 1996 Bulk Standard Mail (A) costs by shape. The costs shown under Cost Segment 3. 1a, Mail Processing Variable with Piggyback, are sourced to LR-H-106. Please provide precise citations to the page, row and column(s) in LR-H-106 where the mail processing costs for letters (1,692,471), flats (1,417,869) and IPPs & Parcels (278,593) can be found.

**RESPONSE**

The costs you cite from LR-H-108 can not be directly pulled from LR-H-106, but can be calculated from the data provided there. Base Year 1996 "Mail Processing Variable (costs) w/Pigbk" from LR-H-108 are found by multiplying the 'Adjusted Costs' of each cost pool in the four sub-categories for each shape by both the respective 'Premium Pay Factor' and the respective 'Piggyback Factor' and then summing the products across the four subclasses by shape in bulk Standard Mail (A).

'Adjusted Costs' is a grouping of mail processing costs by cost pool for each shape and subclass in bulk Standard Mail (A). 'Premium Pay Factor' is a single number for each subclass in Standard Mail (A). 'Piggyback Factor' is a group of numbers with one for each cost pool.

The adjusted costs can be found in LR-H-106 at the following locations:

<u>Shape</u>	<u>Sheet</u>	<u>Page</u>	<u>3rd nPrf Carr-Rt</u>	<u>3rd nPrf Other</u>	<u>3rd Reg Carr-Rt</u>	<u>3rd Rg Other</u>
Letters	'Adj. Letter'	II-2	I12-I56	J12-J56	K12-K56	L12-L56
Flats	'Adj. Flatcst'	III-2	I12-I56	J12-J56	K12-K56	L12-L56
Parcels	'Adj. Parcelcst'	IV-2	I12-I57	J12-J57	K12-K57	L12-L57

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
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The premium pay factors can be found in the spreadsheet CSTSHAPE.xls included in LR-H-106 on sheet 'PremPay', cells I14-L14.

The piggyback factors can be found in LR-H-106 on page VI-2 and on sheet 'Pigbkfctrs', cells H12-H57.

Upon recalculating the mail processing costs, two very minor discrepancies were discovered. Letters should be \$1,692,478 and flats should be \$1,417,875. This obviously causes no change to any of my results derived from LR-H-108.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES OF NDMS

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**NDMS/USPS-T28-12.**

Please refer to LR-H-106, page IV-5, and LR-H-108, pp. 6-7. As shown below, these two sources show different volumes for Standard A parcels. Please reconcile fully.

	LR-H-106 (Millions)	LR-H-108 (Thousands)
3rd nPr Cr Rte	1	1,389
3rd nPr Other	<u>46</u>	<u>42,360</u>
Subtotal	47	43,749
3rd Reg Cr Rte	77	69,464
3rd Reg Other	<u>991</u>	<u>869,434</u>
	<u>1,068</u>	<u>938,898</u>
Total	1,115	982,647

**RESPONSE**

LR-H-108 uses Base Year 1996 actual volumes to compare with Base Year 1996 actual costs. I make an adjustment to put the results in Test Year 1998 dollars. LR-H-106 uses the Test Year 1998 volume forecast. Since LR-H-108 and LR-H-106 are measuring two different sets of numbers and I do not use the Test Year 1998 volume forecast shown in LR-H-106 in my analysis, it is not possible to reconcile these results.

**NDMS/USPS-T28-13.**

Please provide the source of the mail processing cost data in LR-H- 106 and explain how the data collection process distinguished between flats and parcels at the time the data were recorded and collected.

**RESPONSE**

"The total volume variable mail processing labor costs for the base year by rate category and by cost pool are developed in LR-H-146, part III." (LR-H-106, Overview and Summary, page I-1). Flats and parcels are distinguished by the IOCS shape designation. Please see my response to NDMS/USPS-T28-3(a).

**NDMS/USPS-T28-17.**

Please provide Base Year volumes, costs, and revenues for parcels in the following categories:

- a. Standard A Regular;
- b. Standard A ECR;
- c. Standard A Nonprofit Regular; and
- d. Standard A Nonprofit ECR

**RESPONSE**

a.-d. Volume and revenue estimates can be found in the CD-ROM version of LR-H-108.

Please look under ex~00001/stda96.xls. Costs broken out the way you request can be found in the CD-ROM version at ex~00001/sa96shp.xls (please note that a disk correcting a small error in the CD-ROM data is being filed today). Also see my response to DMA/USPS-T28-9. The parcel cost numbers listed are not meant to be a definitive statement of fiscal year 1996 costs, but are a conservatively calculated estimate produced for the purpose of preparing LR-H-108 and showing the cost difference between parcels and flats in Standard Mail (A).

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES OF NDMS**

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**NDMS/USPS-T28-18.**

Please refer to Table 3 on pages 8-9 of LR-H-108. Please provide similar data for FY 1993, FY 1994, and FY 1995, including costs by shape (as well as the other information provided in Table 3) for third-class bulk rate (i) letters, (ii) flats, and (iii) IPPs and parcels.

**RESPONSE**

The information you request is attached.

Table 3

FY 1993 Bulk Third-Class Mail

Costs by Shape

Cost Category	Sum over Shapes	Letters	Flats	Parcels	Source / Deviation
C.S. 3.1 Mail Processing					
3.1a Mail Processing Variable w/ Pigbk	3,465,549	1,838,654	1,377,419	249,477	= Locat * OH * Pigback
3.1b Remote Encoding Costs	-	-	-	-	WS 3.1.1
3.1 Total	3,465,549	1,838,654	1,377,419	249,477	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a Locat Window Service Direct	5,457	3,235	1,475	747	Locat report ALA850P16
3.2b CRA Window Service Total	34,162	18,789	9,438	479	C.S. 3.2 Total from CRA
3.2c Window Service Non-Direct	28,705	18,789	9,438	479	=3.2b - 3.2a distributed to shape by key Volume
3.2d Window Service Pigback Factor		1,422	1,422	1,422	LR-H-77 : Cost wghtd avg of Std A subclasses.
3.2e Pigbacked Costs		9,298	4,608	517	=sum(3.2a,3.2c)(3.2d - 1)
3.2 Total	48,586	31,322	15,522	1,742	=sum(3.2a,3.2c,3.2e)
C.S. 6 & 7 City Delivery Carriers					
6.1 Locat In-Office Direct Labor	838,465	472,462	345,929	20,074	LIOCAT report ALA850P14
6.2 In-Office Support	127,027	71,578	52,408	3,041	= 6.1 * Support Factor 0.1515
7.1 Route	-	-	-	-	= CS total from CRA dist. to shape by Volume
7.2 Access	55,712	29,298	25,822	592	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	436,405	215,938	175,309	45,160	= CS total from CRA dist. to shape by ElementLoad
7.4 Other Load	26,960	14,307	12,349	304	= CS total from CRA dist. to shape by Volume
7.5 Street Support	178,313	96,431	73,599	8,282	= CS total from CRA dist. to shape by 6.1 - 7.4
6.7 Subtotal	1,662,883	900,012	685,417	77,453	= sum of 6.1 through 7.5
6.7 Pigback Factors		1,3107	1,3091	1,3114	LR-H-77 : Cost wghtd avg of Std A subclasses.
6.7 Pigbacked Costs	515,675	279,669	211,887	24,118	= 6.7 subtotal * (6.7 pig. fact. - 1)
6.7 Total	2,178,557	1,179,682	897,304	101,571	= sum(6.7 subtotal, 6.7 pigbacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	55,266	12,203	36,012	7,052	= CS total from CRA dist. to shape by Cube
8b Pigback Factors		1,5491	1,5488	1,5459	LR-H-77 : Cost wghtd avg of Std A subclasses.
8c Pigbacked Costs	30,314	6,700	19,765	3,849	= 8a * (8b - 1)
8 Total	85,580	18,903	55,777	10,901	=sum(8a, 8c)

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FY 1993 Bulk Third-Class Mail  
Costs by Shape

Cost Category	Sum over Shapes	Letters	Flats	Parcels & IPPs	Source / Derivation
C.S. 10 Rural Delivery Carriers	447,742	124,518	308,876	14,348	= CS total from CRA dist. to shape by RuralDel LR-H-77: Cost wghtd avg of Std A subclasses.
10a Rural Delivery Carriers		1,1985	1,1985	1,1985	
10b Piggyback Factors	88,889	24,720	61,321	2,848	= 9a * (9b - 1)
10c Piggybacked Costs	536,631	149,238	370,196	17,197	=sum( 9a, 9c)
10 Total	24,517	8,484	13,907	2,125	
C.S. 14 Transportation	177,712	41,019	98,243	33,451	
14.1a Domestic Air	67,653	15,624	38,008	14,022	
14.1c Railroad	6,888	2,284	4,062	563	
14.1d Domestic Water	-	-	-	-	
14.2 International Transportation	271,770	67,391	154,219	50,160	= sum of 14.1a through 14.2
All Other Costs	6,562,324				CRA total attributable for rate category
B. Sum of C.S. Totals from above	6,586,673				Sum of C.S. totals above
C. Difference	(24,349)				= A - B
Total All Other	(24,349)	(29,905)	7,111	(1,555)	= C dist. to shape by Volume
Total Attributable	6,562,324	3,255,284	2,877,547	429,493	
Attributable Cost per Piece (Dollars)	0.103	0.087	0.112	0.519	
Distribution Keys					Key Name
1	Volume of Mail (000)	63,941,705	37,466,646	25,647,619	827,440
2	Weight of Mail (000)	7,272,128	2,220,338	4,652,046	399,744
3	Density of Mail (pounds / cubic feet)	20.5	28.4	20.7	7.9
4	Cube of Mail (000)	354,115	78,121	225,252	50,742
5	Key - Volume of Mail (percent by shape)	58.6%	40.1%	40.1%	1.3%
6	Key - Weight of Mail (percent by shape)	30.5%	58.6%	64.0%	5.5%
7	Key - Cube of Mail (percent by shape)	22.1%	22.1%	63.6%	14.3%
8					Volume
9	Elemental Load Key	49.5%	40.2%	40.2%	10.3%
10	Rural Delivery Key	27.8%	69.0%	69.0%	3.2%
					ElemLoad
					RuralDel
					Table 5
					Table 6
					Share of (1) by shape
					Share of (2) by shape
					Share of (4) by shape
					Weight / Density
					MC95-1, LR-MCR-13, Supp. 1

Table 3  
FY 1994 Bulk Third-Class Mail  
Costs by Shape

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
<b>C.S. 3.1 Mail Processing</b>					
3.1a Mail Processing Variable w/ Pigbk	3,500,784	1,796,235	1,423,971	280,578	= Locatt * OH * Piggyback WS 3.1.1
3.1b Remote Encoding Costs					
3.1 Total	3,500,784	1,796,235	1,423,971	280,578	=sum(3.1a,3.1b)
<b>C.S. 3.2 Window Service</b>					
3.2a Locatt Window Service Direct	5,589	3,445	1,356	769	Locatt report ALAGSOP16
3.2b CRA Window Service Total	39,154	21,977	11,054	554	C.S. 3.2 Total from CRA
3.2c Window Service Non-Direct	33,585	1,4222	1,4223	1,4221	=3.2b - 3.2a distributed to shape by key Volume
3.2d Window Service Piggyback Factor		10,733	5,241	558	LR-H-77 : Cost wghtd avg of Std A subclasses.
3.2e Piggybacked Costs					=sum(3.2a,3.2c)*(3.2d - 1)
3.2 Total	55,686	36,154	17,651	1,880	=sum(3.2a,3.2c,3.2e)
<b>C.S. 6 &amp; 7 City Delivery Carriers</b>					
6.1 Locatt In-Office Direct Labor	866,801	495,321	352,207	19,273	LOCATT report ALAGSOP14
6.2 In-Office Support	141,883	81,077	57,651	3,155	= 6.1 * Support Factor 0.1637
7.1 Route					
7.2 Access	59,668	31,904	27,234	530	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	457,598	226,124	182,648	48,825	= CS total from CRA dist. to shape by Volume
7.4 Other Load	28,250	15,229	12,750	271	= CS total from CRA dist. to shape by ElementLoad
7.5 Street Support	186,745	101,823	76,376	8,596	= CS total from CRA dist. to shape by Volume
6&7 Subtotal	1,740,945	951,479	708,816	80,650	= sum of 6.1 through 7.5
6&7 Piggyback Factors		1,3108	1,3091	1,3118	LR-H-77 : Cost wghtd avg of Std A subclasses.
6&7 Piggybacked Costs	539,994	295,733	219,118	25,143	= 6&7 subtotal * (6&7 pig. fact. - 1)
6&7 Total	2,280,939	1,247,212	927,934	105,793	= sum( 6&7 subtotal, 6&7 piggybacked costs)
<b>C.S. 8 Vehicle Service Drivers</b>					
8a Vehicle Service Drivers	61,611	13,161	41,107	7,343	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors	33,783	1,5489	1,5487	1,5455	LR-H-77 : Cost wghtd avg of Std A subclasses.
8c Piggybacked Costs		7,224	22,553	4,006	= 8a * (8b -1)
8 Total	95,394	20,386	63,661	11,348	=sum( 8a, 8c)

ATTACHMENT TO NDMS/USPS-T28-18

FY 1994 Bulk Third-Class Mail  
Costs by Shape

Table 3

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 10 Rural Delivery Carriers	508,766	140,153	351,961	16,652	= CS total from CRA dist. to shape by RuralDel
10a Rural Delivery Carriers		1,1985	1,1985	1,1985	LR-H-77 : Cost wghtd avg of Std A subclasses.
10b Piggyback Factors	101,004	27,824	69,875	3,306	= 9a * (9b -1)
10c Piggybacked Costs	609,770	167,976	421,836	19,958	=sum( 9a, 9c)
10 Total					
C.S. 14 Transportation	25,778	8,493	15,227	2,059	C.S. Total dist to shape by Weight
14.1a Domestic Air	196,604	48,649	113,371	36,583	C.S. Total dist to shape by Cube
14.1b Highway	79,742	19,311	45,478	14,954	C.S. Total dist to shape by Cube
14.1c Railroad	7,285	2,452	4,243	591	C.S. Total dist to shape by Weight
14.1d Domestic Water	-	-	-	-	C.S. Total dist to shape by Weight
14.2 International Transportation	309,409	76,904	178,319	54,186	= sum of 14.1a through 14.2
All Other Costs	6,851,668				CRA total attributable for rate category
A. CRA Total for Rate Category	6,851,982				Sum of C.S. totals above
B. Sum of C.S. Totals from above	(314)				= A - B
C. Difference					
Total All Other	6,851,668	3,329,046	3,050,172	472,450	= C dist. to shape by Volume
Total Attributable	0.101	0.083	0.113	0.572	
Attributable Cost per Piece (Dollars)					
Distribution Keys					Key Name
1	Volume of Mail (000)	68,088,876	40,336,275	26,927,334	825,267
2	Weight of Mail (000)	8,437,761	2,453,036	5,558,961	425,764
3	Density of Mail (pounds / cubic feet)	20.7	28.4	20.7	8.0
4	Cube of Mail (000)	408,482	86,308	269,165	53,009
5	Key - Volume of Mail (percent by shape)	59.2%	39.5%	39.5%	1.2%
6	Key - Weight of Mail (percent by shape)	29.1%	65.9%	65.9%	5.0%
7	Key - Cube of Mail (percent by shape)	21.1%	65.9%	65.9%	13.0%
8					
9	Elemental Load Key	49.4%	39.9%	39.9%	10.7%
10	Rural Delivery Key	27.5%	69.2%	69.2%	3.3%

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= Weight / Density  
Share of (1) by shape  
Share of (2) by shape  
Share of (4) by shape

Table 5  
Table 6

Source

Table 3

FY 1995 Bulk Third-Class Mail

Costs by Shape

Cost Category	Sum over Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 3.1 Mail Processing					
3.1a Mail Processing Variable w/ Pigbk	3,584,802	1,838,370	1,463,335	285,198	= Locatt * OH * Piggyback
3.1b Remote Encoding Costs	14,496	14,496			WS 3.1.1
3.1 Total	3,599,399	1,850,866	1,463,335	285,198	=sum(3.1a,3.1b)
C.S. 3.2 Window Service					
3.2a Locatt Window Service Direct	8,770	2,861	3,193	716	Locatt report ALA850P16
3.2b CRA Window Service Total	45,247	25,288	12,515	674	C.S. 3.2 Total from CRA
3.2c Window Service Non-Direct	38,477				=3.2b - 3.2a distributed to shape by key Volume
3.2d Window Service Piggyback Factor		1,4222	1,4222	1,4221	LR-H-77 : Cost wghtd avg of Sid A subclasses.
3.2e Piggybacked Costs		11,884	6,632	587	=sum(3.2a,3.2c)(3.2d - 1)
3.2 Total	64,350	40,033	22,341	1,977	=sum(3.2a,3.2c,3.2e)
C.S. 6 & 7 City Delivery Carriers					
6.1 Locatt In-Office Direct Labor	860,055	488,060	353,965	18,030	LIocATT report ALA850P14
6.2 In-Office Support	149,263	84,703	61,431	3,129	= 6.1 * Support Factor 0.1736
7.1 Route	-	-	-	-	= CS total from CRA dist. to shape by Volume
7.2 Access	63,108	34,148	28,358	602	= CS total from CRA dist. to shape by Volume
7.3 Elemental Load	480,606	236,622	191,970	52,014	= CS total from CRA dist. to shape by ElementLoad
7.4 Other Load	29,891	16,288	13,296	307	= CS total from CRA dist. to shape by Volume
7.5 Street Support	200,800	108,984	82,458	9,358	= CS total from CRA dist. to shape by 6.1 - 7.4
6.8.7 Subtotal	1,783,723	968,805	731,477	83,441	= sum of 6.1 through 7.5
6.8.7 Piggyback Factors		1,3108	1,3093	1,3117	LR-H-77 : Cost wghtd avg of Sid A subclasses.
6.8.7 Piggybacked Costs	553,330	301,083	226,236	26,012	= 6.8.7 subtotal * 6.8.7 pig. fact. - 1)
6.8.7 Total	2,337,053	1,269,888	957,713	109,452	= sum( 6.8.7 subtotal, 6.8.7 piggybacked costs)
C.S. 8 Vehicle Service Drivers					
8a Vehicle Service Drivers	66,558	14,219	43,842	8,498	= CS total from CRA dist. to shape by Cube
8b Piggyback Factors	36,490	7,805	24,050	4,636	= 8a * (8b - 1)
8c Piggybacked Costs					=sum( 8a, 8c)
8 Total	103,048	22,023	67,892	13,133	

ATTACHMENT TO NDMS/USRS - 728-18

FY 1995 Bulk Third-Class Mail

Costs by Shape

Cost Category	Sum over	Shapes	Letters	Flats	IPPs & Parcels	Source / Derivation
C.S. 10 Rural Delivery Carriers	501,104	136,720	1,985	1,985	348,383	= CS total from CRA dist to shape by RuralDel LR-H-77: Cost wghtd avg of Std A subclasses.
10a Rural Delivery Carriers						
10b Piggyback Factors	99,483		27,143	69,164	3,176	= 9a * (9b - 1)
10c Piggybacked Costs						
10 Total	600,587	163,863	163,863	417,548	19,177	= sum( 9a, 9c)
C.S. 14 Transportation	22,917	7,879	13,128	1,910	1,910	
14.1a Domestic Air						
14.1b Highway	213,998	49,830	123,061	41,008	41,008	C.S. Total dist to shape by Weight
14.1c Railroad	82,263	19,348	46,437	16,478	16,478	C.S. Total dist to shape by Cube
14.1d Domestic Water	9,166	3,037	5,339	790	790	C.S. Total dist to shape by Weight
14.2 International Transportation	-	-	-	-	-	C.S. Total dist to shape by Weight
14 Total	328,344	80,195	187,965	60,184	60,184	= sum of 14.1a through 14.2
All Other Costs						
A. CRA Total for Rate Category	7,239,372					CRA total attributable for rate category
B. Sum of C.S. Totals from above	7,032,781					Sum of C.S. totals above
C. Difference	206,591					= A - B
Total All Other	206,591	114,039	90,424	2,128	2,128	= C dist. to shape by Volume
Total Attributable	7,239,372	3,540,907	3,207,217	491,248	491,248	
Attributable Cost per Piece (Dollars)	0.102	0.084	0.115	0.541	0.541	
Distribution Keys						Key Name
1	Volume of Mail (000)	70,970,551	42,270,329	27,791,495	908,727	
2	Weight of Mail (000)	9,189,769	2,656,166	6,045,035	488,568	
3	Density of Mail (pounds / cubic feet)	20.5	28.4	20.7	8.0	
4	Cube of Mail (000)	447,442	93,455	292,701	61,286	
5	Key - Volume of Mail (percent by shape)	59.6%	39.2%	39.2%	1.3%	Volume
6	Key - Weight of Mail (percent by shape)	28.9%	28.9%	65.8%	5.3%	Weight
7	Key - Cube of Mail (percent by shape)	20.9%	20.9%	65.4%	13.7%	Cube
8						
9	Elemental Load Key	49.2%	39.9%	69.5%	10.8%	Elemental
10	Rural Delivery Key	27.3%	69.5%	3.2%		RuralDel

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 = Weight / Density  
 Share of (1) by shape  
 Share of (2) by shape  
 Share of (4) by shape

Table 5

Table 6

**NDMS/USPS-T28-19**

- a. In this docket, USPS witness Seckar (USPS-T-26) presents extensive detailed data, including but not limited to MODS data, on the cost of processing non-letter-shaped pieces of mail. In your study of the effect of shape on processing costs, did you utilize any of witness Seckar's data, or any similar data? If you did, please indicate all such data and explain what inferences you drew from such data.
- b. If you did not utilize any detailed "bottom-up" cost data of the type presented by witness Seckar (as well as witness Daniel), please explain why you did not consider the use of such data, and such bottom-up approach to costing issues, pertinent in this docket?
- c. Does the Postal Service have a cost model that is based on processing mail on the Small Parcel and Bundle Sorter (SPBS)? If so, please provide the unit cost for parcels sorted on an SPBS to (i) outgoing primary, (ii) outgoing secondary, (iii) incoming primary, and (iv) incoming secondary.

**RESPONSE**

- a. Witness Seckar actually presents "extensive detailed data" on the cost of processing flats, not nonletters. I did not base any of my testimony in this docket on data he presents.
- b. Witness Seckar develops piece distribution and bundle sorting models in order to estimate volume variable mail processing costs avoided by presorted and prebarcoded flat-shaped pieces. Such cost avoidances are not available from the standard MODS cost pool data, so they must be modeled. He then generally ties these modeled costs back to the available MODS cost pool/CRA data. Because the purpose of my analysis is to support a simple, conservative surcharge, I did not need to develop costs separately by presort level, and thus, could directly use these CRA type costs, where available. Because of this, I do not believe witness Seckar's (or witness Daniel's) approach is any more "bottom-up" than mine.

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c. I am not aware of any such cost model(s).

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**NDMS/USPS-T28-20.**

- a. Please describe in qualitative terms all critical respects in which manual processing of flats differs from manual processing of parcels.
- b. Explain how differences in the manual processing of parcels (vis-a-vis the manual processing of flats) result in cost differences between parcels and flats.

**RESPONSE**

- a. Redirected to witness Moden.
- b. I do not have data to say how differences in the manual processing of parcels as compared to flats might result in cost differences between parcels and flats.

**NDMS/USPS-T28-21.**

- a. In your opinion, is machinability, including machine sortation to carrier route, an important characteristic in distinguishing between Standard A Regular non-automation pieces with a comparatively low unit cost and pieces with a somewhat higher unit cost?
- b. Excluding those characteristics that cause a piece of Standard A Regular non-automation mail to be non-machinable, please describe all other characteristics that cause a difference in mail processing costs. Please exclude those characteristics that are already designed into the current rate structure, such as presortation and destination entry.

**RESPONSE**

- a. In my opinion, DMM-defined machinability per se is not a very important characteristic in distinguishing between Standard Mail (A) parcels with a comparatively low total unit cost and pieces with a higher total unit cost. For Standard Mail (A) flats, my opinion is that machinability per se is of higher relative importance. For letters, my opinion is that machinability is of higher still relative importance.
- b. It is important to remember that 'mail processing' costs comprise far more than piece sortation, whether that be automated or manual (however they are separately defined). Cubic volume is one characteristic the Postal Service has identified as important in mail processing (and other) costs for parcels in particular. For example, see the direct testimony of witness Mayes (USPS-T-37, pages 12 through 14) for a discussion of the impact of cubic volume on parcel mail processing and transportation costs. While I am not prepared to fully comment on all shapes and all the other characteristics that may cause a difference in processing costs, address quality is certainly one that is important in parcels, flats, and letters.

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**NDMS/USPS-T29-23.**

For Base Year 1996 and Test Year 1998, what is the Postal Service's best estimate of the unit cost of sorting Standard A Regular parcels manually for (i) outgoing primary, (ii) outgoing secondary, (iii) incoming primary, and (iv) incoming secondary?

**RESPONSE**

I have not developed any such data nor do I believe they are available.

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**NDMS/USPS-T28-24.**

For Base Year 1996 and Test Year 1998, what is the Postal Service's best estimate of the unit cost of sorting Standard A Regular flats manually for (i) outgoing primary, (ii) outgoing secondary, (iii) incoming primary, and (iv) incoming secondary?

**RESPONSE**

To the best of my knowledge, the only data available to answer your question can be found in LR-H-134, Section 4, page 16 (for example).

**NDMS/USPS-T28-25.**

FY 1996 billing determinants indicate the volume of Standard A Regular 'non-letters' entered at the Basic Presort Rate without a barcode discount was 759,071,234 piece-rated, and 712,657,625 pound-rated. Of this total (1,471,728,859 pieces), how many, or what percent, were nonmachinable and had to be sorted manually?

**RESPONSE**

First, a flat defined as 'nonmachinable' will not necessarily be sorted manually. The FSM 1000 is currently being deployed to help sort flats previously defined as nonmachinable. The most current data available estimate the proportion of nonmachinable Regular Standard Mail (A) non-automation flats to be 51.7 percent. The most current parcel data are described in my response to RIAA/USPS-T28-2.

**NDMS/USPS-T28-26.**

- a. Why did you choose to abandon the use of carrier route (ECR) parcels as the proxy in calculating the cost differential between Standard A flats and parcels?
- b. Why did you prefer a cost differential that obviously does not control for differences in weight, and in fact reflects large differences in weight between flats and parcels?

**RESPONSE**

a.,b. I chose the methodology I use in this case because, as I state in my testimony, "My costs and volumes cover the same full range ... of pieces that witness Moeller's surcharge will impact." While I completely believe in both the logic and validity of the 'carrier route' approach used in Docket No. MC97-2, Enhanced Carrier Route and Nonprofit Enhanced Carrier Route combined now comprise 7.2 percent of Bulk Standard Mail (A) parcel volume (see Tables 1 and 2 of LR-H-108).

I have no data to show that weight per se has a significant impact on Standard Mail (A) parcel costs, particularly in the range of weights discussed. If you are interested in a weight-equivalent analysis similar to that presented in Docket No. MC97-2, you can refer to the CD-ROM version of LR-H-108. See my response to DMA/USPS-T28-9. Please note that the unadjusted Base Year cost difference between parcels and flats shown there for Enhanced Carrier Route is \$.391, or almost twice as high as that presented in Docket No. MC97-2, and almost four times the proposed surcharge.

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PSA/USPS-T28-1.

(a) Is Library Reference H-108 which you cite in your testimony the same study as contained in Library Reference PCR-38 in Docket No. MC97-2?

(b) Have there been any changes or updates to any of the data or methodologies used in PCR-38?

(c) If the answer to (b) is anything other than an unqualified, "No," please identify with specificity each such change or update.

**RESPONSE**

- a. No. They are not identical.
- b. Yes.
- c. Please see my response to NDMS/USPS-T28-2(b).

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PSA/USPS-28-2. You state (page 11) that you have combined "Regular and Enhanced Carrier Route as well as Regular Rate and Nonprofit costs and volumes" in your analysis. (a) Do you intend a difference between "Regular" and "Regular Rate" as used in the quoted language? (b) Are you able to segregate the costs and volumes for each category named? If the answer is in the affirmative, please supply the relevant volumes and costs for parcels and flats in each category.

**RESPONSE**

- a. Yes. Regular and Enhanced Carrier Route are subclasses of bulk Standard Mail (A). Regular rate is a common way of differentiating between these and the two nonprofit subclasses.
- b. Yes. That information can be found in the CD-ROM version of LR-H-108. Look under ex~00001/sa96shp.xls. Though the tables say "1995", they actually show FY 1996 data.

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PSA/USPS-T28-3. In your response to UPS/USPS-T-28-11 (b) and (c), you state that when a parcel is sorted to a letter or flat case it is recorded in the carrier cost system as a letter or a flat, and not a parcel. You also say that you cannot confirm one way or the other whether treating those parcels in that manner in the carrier cost system will tend to understate parcel delivery costs. You also state that "parcels that can be cased with letters or flats are likely to be those that can be handled most easily in delivery."

(a) Does that response mean that it is likely that such parcels are less costly to handle, so far as that function is concerned, than parcels that cannot be cased with letters or flats?

(b) When the cost of handling such parcels is charged to letters or flats, is it not also the case that that particular parcel is also counted in terms of pieces as a letter or a flat?

(c) Would it not be the case that, if the responses to (a) and (b) are in the affirmative, this would actually tend to overstate the average cost of delivering parcels because the leavening effect of the less expensive parcels in the total parcel cost pool is eliminated by counting such less costly to handle parcels as flats, thereby overstating the average cost of parcel delivery because you have eliminated the less costly parcels from the calculation?

**RESPONSE**

a. Not necessarily. My response mentions potential ease of handling and not costs specifically. The fact that a given parcel may be cased with letters or flats does not necessarily mean it is handled as a letter or flat on the street.

b. No. The volumes in my analysis do not come from the City Carrier Cost system. Please see my response to NDMS/USPS-T28-3(a).

c. The responses to (a) and (b) are not in the affirmative.

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**PSA/USPS-T28-4.** In your filed testimony in MC97-2 (page 8), you present the relative volume shares of letters, flats, and parcels, based on Table 1 of Library Reference PCR-38. In this proceeding you have stated the relative volume shares based on Tables 1 and 2 of Library Reference H-1 08. The data shows an increase in letters from 55% of the total to 58.4%, and a decline in flats from 43.5% to 40.1 %. Can you explain the basis for this significant shift in the shares of Standard Mail (A) from flats to letters?

**RESPONSE**

Table 1 of both library references includes only commercial volumes while Table 2 of LR-H-108 includes nonprofit volumes. The analysis in Docket No. R97-1 includes both commercial and nonprofit volumes (see for example my testimony at page 11, lines 5-8, 16-17, or page 12, lines 20-22). By looking at the numbers in Table 2, you can see that nonprofit volumes are skewed far more towards letters than commercial volumes partially resulting in the different proportions that you see. Also, LR-H-108 uses 1996 volumes while LR-PCR-38 uses 1995 volumes. That is also well documented in both sets of testimony.

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**PSA/USPS-T28-5.** Your filed testimony in MC97-2 (page 9) stated that attributable cost differences within Standard Mail (A) nonletters could be impacted by weight. You further said that you had discovered that Standard Mail (A) parcels and flats weigh very nearly the same within the carrier route category and you could "thus, isolate the cost driving effect of shape as opposed to weight within that category."

(a) Please explain why, in the current proceeding, you have abandoned this approach of comparing carrier route flats and parcels of comparable weights and exchanged it for a comparison of all Standard (A) parcels and flats combined?

(b) Is your comparison in R97-1 testimony able to isolate the influence of weight on the reputed cost differences between parcels and flats, so that the difference can be attributed solely to the influence of shape?

(c) On page 11 of your R97-1 testimony you list the FY '96 Standard Mail (A) costs by shape based on Library Reference H-108. Please also supply for the record FY '96 revenues per piece separately for parcels and flats.

(d) On pages 11 and 12 of your testimony you extrapolate the FY '98 Test Year cost differences per piece from the FY '96 costs per piece. Please also supply the revenues per piece separately for Standard (A) parcels and flats for the 1998 Test Year.

(e) You testify on page 11 of your testimony that "the degree of presort and depth of dropshipment can each have an impact on costs." You proceed to adjust the parcels/flat cost difference to account for those effects. Since you have previously filed testimony that states that weight also has an impact on the parcel/flat cost differential, please explain why no attempt was made to adjust the differential for the influence of weight?

(f) Based on your own studies or your understanding of the study and analysis contained in Library Reference H-108, are you able categorically to state that the asserted cost differentials between parcels and flats are shaped-based cost differences as opposed to weight-based cost differences? If your answer is in the affirmative, please explain the basis for the answer and cite to data that supports the answer.

## **RESPONSE**

a. Please see my response to DMA/USPS-T28-3(b).

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- b. Please see my responses to PSA/USPS-T28-5 (e) and (f).
- c. The revenues you ask for can be found on the CD-ROM version of LR-H-108. Please look under ex-00001/stda96.xls.
- d. For the cost differences, I use a simple test year/base year wage rate adjustment factor to move costs to the test year. This methodology does not apply for revenues. Test year revenue per piece figures are not calculated at this level of detail. Such figures could possibly be estimated using any number of different approaches. Each of these approaches would necessarily involve a number of assumptions that would potentially question the accuracy of such estimates. The data supplied by the Postal Service in Docket No. R97-1 does not include such estimates because they are not required. The data one might need to rely on can be found primarily in the CD-ROM version of LR-H-108.
- e. I have not "previously filed testimony that states that weight also has an impact on the parcel/flat cost differential". I believe my strongest statement relating to that said that "weight ... *could* have an impact (on costs) as well". I have no data to show that weight, in and of itself, has a significant impact on Standard Mail (A) parcel costs, particularly in the range of weights discussed. Also, given that the weight equivalent analysis (based on the carrier route numbers) produces a cost difference which is four times greater than the proposed 10 cent surcharge, I did not believe it was necessary to explicitly adjust for any potential effect of weight.
- f. Based on my analysis, I believe that the parcel/flat cost differential in my testimony is essentially shape-based. I can not categorically state that there are no

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weight-based cost differences, however, I do believe any effects of weight per se are minimal.

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**RIAA/USPS-T28-1.** The costing methodology you used in Standard (A) mail to estimate the difference in cost between flats and parcels combines costs and volumes across rate categories and between Regular Subclass and the ECR Subclass.

- a. Please confirm that the cost basis for the 10 cents surcharge is based on the averaging across rate categories and between subclasses.
- b. Please confirm that implicit in this averaging is the assumption that the cost differences do not vary significantly across rate categories or between subclasses.
- c. If your response to part b is affirmative, please give citations to evidence that will support this assumption.
- d. If your response to part b is negative, please explain how you justify the use of averaging.

**RESPONSE**

- a. The analysis described in my direct testimony combines cost data from all four subclasses of Bulk Standard Mail (A).
- b. Not confirmed. Implicit in this analysis is the understanding that the cost difference between parcels and flats in each subclass substantially exceeds the proposed surcharge.
- c. N/A
- d. Please see my response to (b) above. The CD-ROM version of LR-H-108 (with the tiny correction filed on September 18, 1997) shows that the unadjusted Base Year parcel/flat cost difference is almost 3-1/2 times the proposed surcharge for the subclass with the smallest cost difference.

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**RIAA/USPS-T28-2.** Please provide an estimate of the number (or percentage) of parcels in Standard (A) mail (subject to the 10 cents surcharge) that could be read by the current equipment if barcodes were applied to the parcel.

**RESPONSE**

The only basic data available that I am aware of to answer your question can be found in Table C-2 of LR-PCR-38, filed in Docket No. MC97-2. Based on that survey, 16.33 percent of Bulk Regular Carrier Route parcels are machinable as are 72.16 percent of Bulk Regular Other parcels. This is the maximum proportion that "could (physically) be read". However, there is a substantial difference between "could be read" and will actually be read. First, no Carrier Route parcels should be piece sorted on any equipment because they are already presorted beyond the level that the Postal Service generally machine sorts parcels. A parcel presorted to 5-digits will probably not be sorted for the same reason. Second, a parcel dropshipped past the Bulk Mail Center (BMC) will not go on the Parcel Sorting Machine where a bar code will be read. Third, it is my understanding that Standard Mail (A) parcels are sorted in a variety of different ways and may not always be sorted on the BMC Parcel Sorting Machine for reasons other than DMM defined machinability.

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**RIAA/USPS-T28-3.** In the process of your study of cost differences between flats and parcels, was any data collected or available on the effect of barcoding on the cost differences between parcels and flats?

- a. If the answer is affirmative, please provide the data.
- b. If the answer is negative, why not?

**RESPONSE**

- a. I am aware of no data concerning the effect of barcoding per se on the cost differences between parcels and flats.
- b. I did not specifically study that issue.

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**RIAA/USPS-T28-5.** Please confirm that the questions and answers attached as Exhibit A were interrogatories put to and answered by you in MC97-2.

- a. Would your answers to those questions be the same today?
- b. If not, please provide the answers that you would give today.

**RESPONSE**

Confirmed.

a.,b. Yes, except for a small error I noticed in one part of one response. The corrected page of the attachment to the response to RIAA/USPS-T7-1 from Docket No. MC97-2 is attached. Also, please note that questions 1 and 2 to which you refer ask for FY 1995 data while the Base Year for Docket No. R97-1 is 1996.

REVISED IN RESPONSE TO RIAA/USPS-728-5  
(Docket No. R97-1)

FY 1995 IOCS LIOCATT COSTS  
STANDARD MAIL (A) IPSS & PARCELS

<u>Weight Increment (oz)</u>	<u>Carrier Route</u>	<u>Other</u>
1	\$ 5,871,947	\$ 8,803,461
2	881,828	6,859,528
3	912,470	7,876,515
4	1,533,867	17,675,460
5	522,216	8,729,425
6	262,814	9,616,726
7	51,659	6,344,287
8	81,033	11,375,922
9	169,676	7,325,453
10	202,929	6,988,116
11	115,293	4,655,692
12	146,069	8,729,796
13	-	5,547,235
14	306,918	9,914,548
15	97,731	7,187,372
16	395,410	4,759,426
Total	11,551,860	132,388,962

WRITTEN INTERROGATORY RESPONSES OF USPS WITNESS CRUM  
TO UPS  
DESIGNATED BY THE OFFICE OF THE CONSUMER ADVOCATE

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE**

**UPS/USPS-T28-1.** (a) Please confirm that "all DBMC mail is bulk accepted and avoids the single piece acceptance portion of window costs." (USPS-T-28 at 1, line 25) If not confirmed, please explain.

(b) Please confirm that your Exhibit A notes DBMC window service cost of \$52,047. If not confirmed, please explain.

(c) If all DMBC mail volume avoids window service costs, please explain why any window service costs (CS 3.2) are attributed to DBMC volume.

**RESPONSE**

a. Confirmed.

b. Confirmed.

c. All DBMC mail volume does not avoid window service costs; it avoids the single piece acceptance portion of window service costs only. A small portion of window service costs are for pick-up of parcels at the delivery unit as opposed to acceptance at the originating post office. For example, a carrier might leave a Form 3849, popularly known as a "yellow slip", in the customer's mail receptacle and the customer then might come to the post office window to pick up the piece. I expect this happens equally in proportion to volume for DBMC parcels as for non-DBMC parcels.

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**UPS/USPS-T28-2.** (a) Please confirm that your calculation of the volume of parcel post deposited upstream from the BMC/ASF assumes that the proportion of Inter-BMC volume deposited by mailers at BMCs has remained constant since FY 1989. If not confirmed, please explain.

(b) Have any studies or other estimates using more recent data been performed to estimate the proportion of Inter-BMC volume deposited by mailers at BMCs? If so, produce all such studies.

(c) Are there any qualitative estimates which might indicate whether mailers are depositing more or less Inter-BMC volume (as a percentage of total) at BMCs in years after FY 1989 than during FY 1989?

**RESPONSE**

a. Not confirmed. In my Docket No. R97-1 testimony I use the results of 1996 market research to estimate the proportion of inter-BMC volume deposited by mailers at BMCs. Adding the 'Currently OBMC entered' volumes from USPS-T-37, Workpaper I.F., page 1 and dividing by the combination of OMAS and non-OMAS inter-BMC volumes on page 2 of the same workpaper yields the .043546 number in Appendix B of my testimony.

b. Please see my response to (a) above.

c. Please see my response to (a) above.

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OF UNITED PARCEL SERVICE**

**UPS/USPS-T28-3.** Please explain exactly how OBMC pieces will be accepted at BMCs and how their processing will differ from the processing and handling of other inter-BMC parcels.

**RESPONSE**

Other than the containerization requirements, OBMC pieces will be accepted at BMCs in the same way as DBMC parcels are today. The containers will be crossdocked to the outbound dock for the particular destination BMC that they are going to. They will then be loaded onto a truck with the other outgoing inter-BMC parcels destined at that particular BMC and transported. At the destination BMC, they will be treated the same as any other incoming inter-BMC parcel. Inter-BMC parcel processing is more fully described in the testimony of witness Daniel (USPS-T-29).

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**UPS/USPS-T28-4.** Please describe the criteria for the minimum number of pieces in a mailing to qualify for the OBMC discount. Include in your explanation whether the criteria apply to the OBMC mailing as a whole (*i.e.*, need there be only 50 parcels total?), or whether the criteria apply to each of the destination BMCs in an OBMC mailing (*i.e.*, must there be 50 parcels for each destination BMC?). Also include what criteria, if any, will be established with respect to the "fullness" of the container required for mail in an OBMC mailing.

**RESPONSE**

To be consistent with the regulations for DBMC bulk acceptance, the 50 piece minimum applies to the mailing as a whole. As stated in my testimony, my analysis assumes "that machinable pieces will be deposited in sufficiently (at least 75 percent) full large cardboard boxes often referred to as "gaylords" and that nonmachinable pieces will be deposited on sufficiently full pallets (at least 4 feet high)." Based on the conversion factors listed in Exhibit J of my testimony, this relates to an average of 104.5 machinable pieces or 26.3 nonmachinable pieces per containerized BMC separation. It does not appear that the 50 pieces per mailing will be the limiting factor.

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**UPS/USPS-T28-5.** On page 5, lines 4-6, of your direct testimony you state that there is a presort requirement of 10 pieces per 5-digit area for machinable parcels and 25 pieces per 5-digit area for non-machinables for DSCF parcel post. On page five, lines 15-16, of your testimony you state that "[t]o be consistent with the DMBC requirements, DSCF parcels must be limited to mailings with at least 50 pieces." Please reconcile these statements.

**RESPONSE**

My comments in lines 15-16 refer to the mailing as a whole, while my comments on lines 4-6 refer to the volume deposited per 5-digit area.

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**UPS/USPS-T28-6.** Please explain why and on what basis you assume 50 pieces per pallet on average for calculating the DSCF discount.

**RESPONSE**

I do not assume 50 pieces per pallet on average for calculating the DSCF discount.

Please see USPS-T-28, page 5, lines 4-7.

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**UPS/USPS-T28-7.** Your analysis assumes that OBMC machinable pieces will be delivered on gaylords. Please provide a picture of gaylord containers.

**RESPONSE**

"Gaylord" is a brand name of a single-ply corrugated cardboard sleeve which usually has a length and width of 40" x 48" but can range in height. In my testimony, I have assumed the height to be 69" and use that figure in the fullness calculations. Please see USPS-T-29, Appendix V, page 17.

I do not have a picture available.

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**UPS/USPS-T28-8.** (a) Please confirm that parcels eligible for the DDU discount will still need to be unloaded at the delivery unit. If not confirmed, please explain. If confirmed, please explain why you include the cost of unloading parcels at the DDU in your calculation of the DDU discount.

(b) Will the parcels eligible for DDU discounts be on pallets? If not, what container will they be in?

**RESPONSE**

a. Confirmed. Mailers will be required to unload their parcels at the destination delivery unit to receive the DDU discount.

b. I make no assumptions regarding what container (if any) the parcels will be in. Since the mailers are responsible for unloading their vehicles, the containerization of the pieces in general should not have cost implications.

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**UPS/USPS-T28-9.** (a) Please confirm that in Docket No. R90-1, witness Acheson (USPS-T-12, pages 24-26) calculated the mail processing costs avoided by DBMC at non-BMC facilities by first calculating machinable and non-machinable costs avoided and then weighting those avoided costs by the proportion of intra-BMC mail that is machinable and non-machinable. If not confirmed, please explain.

(b) Please explain why you did not employ witness Acheson's methodology referred to in (a) above and explain how your results would differ if you were to follow the methodology adopted by witness Acheson in Docket No. R90-1.

**RESPONSE**

a. Confirmed.

b. Since my purpose was to produce a single mail processing savings number for DBMC, I did not believe it was necessary to calculate separate numbers for machinable and nonmachinable costs and then combine them proportionally. I would expect that the results of this very minor change alone would be extremely small. Because of the changes in my analysis necessitated by the MODS based cost pool approach the Postal Service is proposing in this case, I am unable to do the calculation to determine how the results would differ.

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**UPS/USPS-T28-10.** (a) Please confirm that a higher percentage of DBMC mail is machinable than is non-DBMC mail. If not confirmed, please explain.

(b) Please confirm that your calculation implicitly assumes that DBMC mail is machinable in the same proportion as non-DBMC mail. If not confirmed, please explain.

(c) Please confirm that your calculation overstates the upstream savings of the average DBMC piece relative to a non-DBMC piece. If not confirmed, please explain.

**RESPONSE**

a. Confirmed.

b. Not confirmed. My calculation implicitly assumes that DBMC mail has the same average cost characteristics as Non-DBMC mail based on handlings at outgoing mail processing operations at non-BMC facilities. Machinability per se is only one determinant of costs. Also, whether a piece is defined as machinable or nonmachinable is based on whether it can be satisfactorily processed on BMC parcel sorting machines. For the types of 'mail processing' operations in my analysis, costs are less related to parcel sorting machine machinability than to other factors such as cubic volume. For a discussion of the cost impacts of cubic volume, please see USPS-T-37, pages 14 and 15.

c. Not confirmed. Please see my response to (b) above. Library Reference H-135 shows that the average cubic volume of a DBMC parcel is .73 cubic feet while the average cubic volume of a non-DBMC parcel is .58 cubic feet. Therefore, I believe that

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my analysis fairly and conservatively describes the upstream savings of the average DBMC piece relative to a non-DBMC piece.

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**UPS/USPS-T28-11.** Refer to your response to DMA/USPS-T7-22 in Docket No. MC97-2.

(a) Explain why the Access and Other Load cost components for city carrier street costs are not differentiated by shape.

(b) Confirm that when a parcel is sorted to a letter or flat case, it is recorded in the Carrier Cost System as a letter or a flat, not a parcel.

(c) Confirm that this treatment of parcels in the Carrier Cost System will tend to understate parcel delivery costs. If not confirmed, explain.

**RESPONSE**

a. Although I am not an expert in carrier costing, my understanding is as follows and refers only to the analysis in LR-H-108. "Access time is the time spent deviating from the course of the route to go to and from customer sites to make deliveries, but excluding the time spent in making the delivery itself. The significant characteristic of access time is that, because not all sites are usually visited on a tour, the aggregate time varies with the number of stops that receive mail." (Summary Description of USPS Development of Costs By Segments and Components (LR-H-1)). To the extent that all Standard Mail (A) parcels are delivered as part of a carrier's normal walking path and no special access trip is made to a given delivery point because the carrier is delivering a parcel, there are no additional access costs related to parcels. Given the typical size and weight of Standard Mail (A) parcels, I believe this is a reasonable, but admittedly conservative assumption.

By 'other load', I was referring to coverage-related load. "Coverage-related load time is that part of time at a delivery stop that does not vary directly with the number of

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pieces of mail delivered to a delivery point, but varies directly with the number of delivery points actually receiving mail" (LR-H-1). Using the same logic as above, I believe that not differentiating Standard Mail (A) coverage-related load time cost components by shape is reasonable and appropriately conservative.

b. Confirmed with respect to the City Carrier Cost System and Cost Segment 07 which my DMA response refers to.

c. I can not answer your question in general as stated. I have only examined this issue as it relates to the analysis in LR-H-108. To the extent parcels are cased as letters or flats, it represents a potential shifting of costs from parcels to letters and flats within a given subclass for my purposes. However, those parcels that can be cased with letters or flats are likely to be those that can be handled most easily in delivery. I believe the numbers in my analysis are properly conservative.

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**UPS/USPS-T28-12.** Please refer to your Exhibits D and F and explain in detail the processes (Unloading, Dumping, etc.) for which you calculate the costs and how these processes relate to the processing of parcels in a BMC.

**RESPONSE**

Exhibit F is generally based on the parcel post models described by witness Daniel in USPS-T-29 which are an update of the models presented by witness Byrne in Docket No. R84-1. Two lines in Exhibit D are less straightforward and I will attempt to describe those more fully below.

Origin BMC - For the nonpresorted machinable pieces, this represents any dumping of pieces from containers, sorting of sacks, or shaking out of any pieces from sacks that is necessary along with the primary parcel sorting machine sort and 'sweep' (removing full containers from the run-out area). For the nonpresorted nonmachinable pieces, this represents the origin primary NMO sort. For the BMC presorted pieces, this represents a crossdock of either a 'gaylord' (for machinable pieces) or a pallet (for nonmachinable pieces).

DBMC Sort - For nonpresorted machinable pieces, this represents the dumping of pieces from a Postal Pak along with the necessary proportion of sorts on the primary and secondary parcel sorting machines. For BMC presorted pieces, this represents the dumping of pieces from a 'gaylord' along with a sort on both the primary and secondary parcel sorting machines. For nonmachinable pieces, the paths merge at that point making the costs identical (and thus unnecessary to show) for both the nonpresorted and BMC presorted pieces.

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**UPS/USPS-T28-13.** Please explain why Basic Function "Incoming" costs are excluded from the FY 1996 BMC Processing costs (\$23,977,000) you use in your Exhibit C.

**RESPONSE**

The number I use in Exhibit C is an estimate of mail processing labor costs at origin facilities that DBMC pieces will avoid. Our costs are collected by facility. 'Incoming' mail is defined as mail received by a postal facility, most commonly for distribution and delivery within the delivery area of the receiving facility. If I do not exclude 'incoming' costs, I would overstate my cost savings estimate by including costs incurred by pieces traveling from the BMC to the delivery unit as opposed to only from the originating post office to the BMC.

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**UPS/USPS-T28-14.** Refer to Exhibit G, Part 1.

(a) Confirm that you include the costs of crossdocking and loading pallets at the SCF in your calculation of After-BMC Downstream Costs of DSCF Prepared Parcel Post.

(b) Confirm that you do not include the costs of unloading pallets at the SCF in Part I of your calculation of After-BMC Downstream Costs of DSCF Prepared Parcel Post.

(c) Will the pallets be unloaded at the SCF? If so, why are those costs not included?

**RESPONSE**

a. I include the costs of crossdocking and loading properly prepared sacks and GPMCs, not pallets.

b. Confirmed.

c. My cost analysis assumes that mailers will unload their properly prepared DSCF pieces.

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**UPS/USPS-T28-15.** Please refer to Exhibit A of your direct testimony.

(a) Please confirm that your calculation of Window and Acceptance Costs avoided by DBMC Parcel Post includes costs associated with Basic Function "Incoming" activities. If not confirmed, please explain.

(b) Please confirm that your calculation of Non-BMC Mail Processing Costs avoided by DBMC Parcel Post (Exhibit C) excludes costs associated with Basic Function "Incoming" activities. If not confirmed, please explain. If confirmed, please explain why this exclusion is appropriate when calculating Non-BMC Mail Processing Costs avoided by DBMC Parcel Post, but is not appropriate when making the same calculation for Window Service Costs avoided by DBMC Parcel Post.

(c) Please confirm that your calculation of Window Service and Platform Costs in Exhibit A also includes costs associated with Basic Function "Other" activities. If not confirmed, please explain.

(d) Please confirm that Window Service Costs do not include any costs associated with Basic Function "Transit" activities. If not confirmed, please explain.

(e) Please explain what Window Service Parcel Post Functions would be recorded as Basic Function "Incoming" and "Other."

(f) Please explain how DBMC Parcel Post avoids the activities (and costs) associated with Window Service Basic Function "Incoming" and "Other" activities.

**RESPONSE**

a. *Not confirmed.* By going to the disk which accompanies Library Reference H-144, you can see that every single tally with a 'yes' (code #2) for Operation 07 - Platform Acceptance corresponds to a basic function tally of 'outgoing' (code #1). Therefore there are no 'incoming' costs at all included in the platform acceptance section of Exhibit A.

The Postal Service does not routinely develop Window Service (Cost Segment 3.2) costs by basic function like it does for Mail Processing (Cost Segment 3.1). As I

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discussed in my response to UPS/USPS-T28-1(c), I know that costs similar to what might be described as 'incoming' exist for parcel post Window Service and my analysis is cognizant of that. I am comfortable with my assumption that DBMC and non-DBMC pieces incur equivalent costs at the destination delivery unit and that my analysis fairly estimates the Window Service and platform acceptance cost difference between DBMC and non-DBMC parcel post.

b. Confirmed. As discussed in my response to UPS/USPS-T28-13 above, not excluding Basic Function 'incoming' costs in my mail processing cost analysis in Exhibit C would result in an overstatement of the estimate of DBMC savings. That analysis is completely different from my analysis of Window Service and platform acceptance costs in Exhibit A. The Window Service analysis divides Cost Segment 3.2 by tallies based on the presence of an endorsement indicating whether the piece paid the DBMC rate or not. If one accepts the simple assumption that whether a given parcel was entered as DBMC or not has no impact on its cost or likelihood of pick-up at the destination delivery unit, the basic function has little relevance to my analysis. Even if one did not accept that assumption, those costs are so small as to make the difference all but irrelevant.

c. Not confirmed. As discussed in (a) above, there are no basic function 'other' costs in platform acceptance (operation 07) and the Postal Service has not developed Window Service costs by basic function in this docket.

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- d. Confirmed. See responses to (a) and (c) above.
- e. Please see my response to (a) above.
- f. I can not explain how DBMC Parcel Post avoids the activities (and costs) associated with Window Service Basic Function 'Incoming' and 'Other' because I do not state or imply that it does. Please see my responses to (a) above and UPS/USPS-T-28-1.

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**UPS/USPS-T28-16.** Please refer to page 5 of your direct testimony.

- (a) Please define the average size of a General Purpose Mail Container.
- (b) Please explain the difference between a Gaylord and a General Purpose Mail Container.
- (c) Please discuss whether non-machinable parcels can be delivered in pallets or Gaylords and whether this will affect their eligibility for dropshipment discounts.

**RESPONSE**

- a. Length = 42", Width = 29", Height = 69"
- b. 'Gaylords' are fully described in my response to UPS/USPS-T28-7. GPMCs are fully described in LR-H-133 beginning at page 13. Basically, 'gaylords' are cardboard boxes while GPMCs are metal cages with wheels.
- c. To be consistent with my costing assumptions, nonmachinables must be presented in GPMCs. Other containers would create different cost implications. There is also a concern about the ability of various delivery units to accept mail on pallets, 'gaylords', or other containers that can not be easily moved. As discussed in the testimony of witness Daniel (USPS-T-29), parcels generally arrive at delivery units bedloaded or in either wheeled containers or in sacks.

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**UPS/USPS-T28-17.** Referring to the attached chart, please provide the average number of pieces per container of Parcel Post for each container used in calculating the Postal Service's acceptance and mail processing costs and savings in Docket No. R97-1.

**RESPONSE**

The average number of Parcel Post pieces per container is not relevant to the calculation of acceptance costs and savings. The information you request for mail processing is attached.

**UPS/USPS-T28-18.** Referring to the attached chart, please provide the average number of pieces per container of Parcel Post for each container used by the Postal Service.

**RESPONSE**

The actual average number of pieces per container of Parcel Post for each container used by the Postal Service is not available.

Average Number of Pieces of Parcel Post

<u>Containers</u>	<u>Downstream to SCFs and Delivery Units</u>		<u>DSCF Drop Ship</u>		<u>DDU Drop Ship</u>		<u>MLr. OBMC Entry</u>	
	<u>Machinable</u>	<u>Non-Machinable</u>	<u>Machinable</u>	<u>Non-Machinable</u>	<u>Machinable</u>	<u>Non-Machinable</u>	<u>Machinable</u>	<u>Non-Machinable</u>
(a) Sack	5.8	n/a	10	n/a	n/a	n/a	n/a	n/a
(b) Pallet	n/a	22.3	n/a	n/a	n/a	n/a	n/a	26.3
(c) OTR - loose	78.4	30.8	n/a	n/a	n/a	n/a	n/a	n/a
(c) OTR - sacked	93.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(d) "Gaylord"	n/a	n/a	n/a	n/a	n/a	n/a	104.5	n/a
(e) GPMC	n/a	n/a	n/a	25	n/a	n/a	n/a	n/a
(f) IHC	39.2	23.3	n/a	n/a	n/a	n/a	n/a	n/a
(g) OWC	33.3	13.1	n/a	n/a	n/a	n/a	n/a	n/a

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**UPS/USPS-T28-19.** Please refer to page 2 of your testimony in MC97-2, and page 3 of your testimony in R97-1. Confirm that total DBMC cost savings were 35.1 cents in MC97-2, and 46.9 cents in R97-1, and explain why this number has changed.

**RESPONSE**

Confirmed for DBMC non-transportation savings. The MC97-2 analysis was based on fiscal year 1995 data while the R97-1 analysis is based on fiscal year 1996 data. Also, as stated in my testimony on lines 11-12 of page 2, "The costs were calculated in a slightly different way because of the new volume variability/cost pool approach incorporated into the Base Year CRA".

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**UPS/USPS-T28-20.** Please refer to page 4 of your testimony in MC97-2, and page 4 of your testimony in R97-1. Confirm that total OBMC savings were 49.8 cents in MC97-2, and 57.2 cents in R97-1, and explain why this number has changed.

**RESPONSE**

Confirmed. Since DBMC savings are one component of OBMC savings, please refer to my response to UPS/USPS-T28-19. Also, the BMC presort related savings component changed.

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**UPS/USPS-T28-21.** Please confirm that the reference to LR-H-146 in part "D" (Test Year/Base Year Adjustment) of your Exhibit C is correct. If not confirmed, please provide the accurate reference.

**RESPONSE**

Confirmed. Please see page VIII-2.

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**UPS/USPS-T28-22.** Please refer to your response to UPS/USPS-T28-14.

- (a) Confirm that to receive the proposed Parcel Post DSCF discount, drivers will be required to unload their dropshipments without Postal Service assistance. If not confirmed, please explain.
- (b) Confirm that the Parcel Post DSCF shipments eligible for the DSCF discount will be contained in sacks for machinables, and GPMCs for non-machinables. If not confirmed, please explain.
- (c) Confirm that it is current Postal Service policy that when unloading dropshipment mail at BMCs, ASFs, and SCFs, drivers will unload bedloaded mail with Postal Service assistance, and Postal Service personnel will unload containers and pallets. If not confirmed, please explain.
- (d) Describe and explain any discrepancy between the current Postal Service policy concerning Postal Service assistance at SCFs in unloading dropshipments, and the proposed requirement for drivers to unload their DSCF shipment without Postal Service assistance in order to receive the DSCF discount.

**RESPONSE**

- a. Confirmed that my cost analysis assumes that mailers will be required to unload their vehicles.
- b. Confirmed that my cost analysis assumes that machinable pieces will be contained in sacks and nonmachinable pieces will be contained in GPMCs.

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**UPS/USPS-T28-22.** Please refer to your response to UPS/USPS-T28-14.

- (a) Confirm that to receive the proposed Parcel Post DSCF discount, drivers will be required to unload their dropshipments without Postal Service assistance. If not confirmed, please explain.
- (b) Confirm that the Parcel Post DSCF shipments eligible for the DSCF discount will be contained in sacks for machinables, and GPMCs for non-machinables. If not confirmed, please explain.
- (c) Confirm that it is current Postal Service policy that when unloading dropshipment mail at BMCs, ASFs, and SCFs, drivers will unload bedloaded mail with Postal Service assistance, and Postal Service personnel will unload containers and pallets. If not confirmed, please explain.
- (d) Describe and explain any discrepancy between the current Postal Service policy concerning Postal Service assistance at SCFs in unloading dropshipments, and the proposed requirement for drivers to unload their DSCF shipment without Postal Service assistance in order to receive the DSCF discount.

**RESPONSE**

c. While I am unaware of any definitive Postal Service policy, the most current guidelines (April 1997) are consistent with what you describe.

d. Since there is no existing DSCF discount for Parcel Post, the current SCF dropshipment guidelines refer to Periodicals and Standard Mail (A) in general. The specific procedures for DSCF Parcel Post have not yet been produced or finalized.

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**UPS/USPS-T28-23.** Refer to Exhibit B of your testimony. Please provide the specific page and line number of USPS-T-37, which is identified in Exhibit B as the source for the "Proportion of Inter-BMC volume deposited at BMC's by mailers".

**RESPONSE**

Please see my response to UPS/USPS-T28-2(a).

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**UPS/USPS-T28-24.** Refer to Exhibit C of your testimony. Library Reference H-144 is cited in Exhibit C as support for the "FY 1996 Processing Costs" of \$23,977,000. Please explain why, in LR-H-144, Table 1, "Development of Standard (B) Parcel Post Mail Processing Costs by Basic Function," no adjustment is made for IOCS tallies for postage due, mail preparation, platform acceptance, and central mail markup as there was in Tables 1, 2 and 3 in LR-PCR-39 (Docket No. MC97-2).

**RESPONSE**

As described in my testimony "The costs were calculated in a slightly different way because of the new volume variability/cost pool approach incorporated into the Base Year CRA". Using my new and slightly different approach mandated by the Postal Service's proposal, it would not have been possible to make the adjustments as such.

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**UPS/USPS-T28-25.** Refer to page 5, lines 27-29, of your testimony. You state that "Exhibit G results are contingent on the assumption that DSCF will not be allowed at those SCFs that are bypassed by the 12.3 percent of parcel volume that gets direct transportation from the BMC to the delivery unit."

- (a) What is the basis for this assumption?
- (b) Please explain whether there will be a regulation disallowing DSCF at certain SCFs.
- (c) Please describe how this regulation will work in practice.
- (d) Please explain which SCFs will not allow DSCF and whether it will be for some or all addresses served by the SCF.
- (e) If this regulation limiting DSCF is not instituted, do you agree that the DSCF mail processing costs avoided that you have determined are overstated? Explain your answer.

**RESPONSE**

a. The basis for my assumption was my understanding of Postal Service preferences at the time. If indeed I had made the opposite assumption, the difference in my estimated cost savings would be small. Please see my response to UPS/USPS-T28-25(e) below.

b,c,d. These issues have yet to be decided.

e. If I were to assume for purposes of my analysis that DSCF was allowed at all SCFs, my estimated cost savings would be \$.296. This simple calculation could be made by entering the unadjusted figures from USPS-T-29, Appendix V, page 3 and 4 referred to in UPS/USPS-T28-26.

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**UPS/USPS-T28-26.** Refer to Exhibit G, page 2 of 3, of your testimony. Please explain why "USPS-T-29, Appendix V, page 3 & 4 [was] updated to remove assumption of 12.3 percent direct transportation from destination BMC to destination delivery unit."

**RESPONSE**

Given that my assumption was that DSCF would not be available at those SCFs bypassed by direct transportation from the BMC to the Delivery Unit, it was, then, necessary to remove this ghost volume and have all unloading, sorting, and loading operations add to 100 percent. For example, please note on page 3 of Appendix V that witness Daniel's unloading, crossdocking, and loading at the Destination SCF do not add to 100 percent because of the estimate that 12.3 percent of parcel volume actually avoids handling at the destination SCF.

**UPS/USPS-T28-27.** Refer to Exhibit C of your testimony.

- (a) Confirm that non-DBMC parcel post has a lower percentage of pieces that are machinable than does DBMC parcel post. *If not confirmed, please explain.*
- (b) Confirm that a machinable parcel incurs less outgoing mail processing costs at non-BMC facilities than a non-machinable parcel. *If not confirmed, please explain.*
- (c) Please provide an estimate of the amount by which outgoing mail processing costs are different for machinable and non-machinable parcels at non-BMC facilities. *If you cannot provide an estimate, explain what analysis and data would be required to provide such an estimate.*
- (d) Confirm that if DBMC has a lower percentage of pieces that are machinable, and if machinable parcels incur less outgoing mail processing costs at non-BMC facilities than non-machinable parcels, then the \$0.358 of Unit Costs Avoided identified in Exhibit C is an overestimate of the outgoing mail processing costs at non-BMC facilities avoided by the average DBMC piece. *If not confirmed, please explain.*

**RESPONSE**

- a. Please refer to my response to UPS/USPS-T28-10.
- b. Not confirmed. Please see my response to UPS/USPS-T28-10.
- c. *I am not able to provide such an estimate and do not necessarily believe there would be a difference due to machinability per se in the case of DBMC versus non-DBMC parcels. Please refer to my response to UPS/USPS-T28-10 for cubic volume per piece data as that appears to be the more relevant cost driver for the types of outgoing 'mail processing' operations at non-BMC facilities described in my analysis.*

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d. First, as you correctly state in question (a), LR-H-135 shows that DBMC has a higher proportion of machinable pieces, not lower. Second, I do not agree that machinable parcels will necessarily incur less outgoing 'mail processing' costs at non-BMC facilities. Please see my response to USP/USPS-T28-10. While one might logically expect that a higher proportion of machinable pieces within a rate category might lead to lower average cubic volume, this is not true in the particular case of DBMC versus non-DBMC.

**UPS/USPS-T28-28.** Please refer to the table at page 3 of your response to UPS/USPS-T28-17-18.

- (a) Please cite the source from which you obtained the average number of pieces of Parcel Post per sack for machinable DSCF Drop Ship parcels. If no source is available, define the basis for your derivation of that number.
- (b) Please define the basis for the derivation of the average number of pieces of Parcel Post per sack for machinable parcels that are downstream to SCFs and Delivery units.
- (c) Explain all reasons, and provide all supporting data, why the number of pieces of machinable DSCF drop ship parcels per sack exceeds that of parcels headed downstream to SCFs and Delivery units.
- (d) Following Daniel's methodology in USPS-T-29, is it accurate to take the size of a container and divide it by the average size parcel to obtain an average number of parcels per container?
- (e) Please confirm that the same size sacks are used for machinable DSCF Drop Ship parcels and for those that are delivered "downstream to SCFs and Delivery Units". If not confirmed, please explain.
- (f) Please confirm that on average, DBMC machinable parcels are larger (in size) than Intra-BMC machinable parcels. If not confirmed, please explain.
- (g) If the answer to (e) is in the affirmative, please confirm that fewer DBMC parcels than Intra-BMC parcels would fit in the same size sack. If confirmed, explain how this was taken into account in your analysis of DSCF savings.

## **RESPONSE**

a. The source for my assumption of 10 machinable pieces per sack is the Domestic Mail Manual (DMM). See the Quick Service Guide 700 (machinable parcels in sacks). I compared this number to the average parcels per sack on

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the postal network and found it reasonable principally based on the many reasons why network sacks might contain fewer pieces. Please see my response to UPS/USPS-T28-28(c) below.

b. Please refer to USPS-T-29, Appendix V, page 17.

c. The number of pieces per sack for parcels in the postal network downstream to SCFs and Delivery Units is based on data estimating the average number of pieces actually found per sack (updated based on the larger cube of parcels in FY 1996). Sacks on the postal network can be relatively very empty for a variety of reason. For example, lower volume 5-digit locations are generally transported in sacks. There may be only one parcel in these sacks. Also, for service reasons, any and all sacks might be sent out at extremely low levels of fullness.

On the other hand, I believe that mailers will be more likely to fill their sacks. For example, where a mailer has more than one sack per 5-digit area, it makes sense that all sacks but maybe the last one will likely be completely filled.

d. The methodology you ask about is only one of the two that witness Daniel employs. For that methodology, she adjusts her estimates to account for additional 'air' space in the container and the percent fullness of the container. I believe that is in general a reasonable and logical approach.

e. Not confirmed. According to LR-H-133, there are over 28 different types of sacks and pouches available each having a specific use or uses. While I assume that #1 BMC sacks will be used for DSCF machinables, I do not know

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the mix of other sacks used on the postal network. Since #1 BMC sacks are the largest, any other mix than 100 percent of those, would include some proportion of the smaller sized sacks.

f. Confirmed according to LR-H-135.

g. On average, it is true that fewer DBMC than intra-BMC machinables would fit in a given sack. I do not have any data to suggest what the cubic volume profile of DSCF parcels would be, therefore, I assumed the average size of parcel post for purposes of calculating the DSCF cost savings.

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**UPS/USPS-T28-29.** Please refer to Exhibit C of your testimony. Confirm that this Exhibit is meant to follow Commission methodology established in R90-1. If not confirmed, please explain, detailing all instances and reasons it deviates from Commission methodology.

**RESPONSE**

Not confirmed. Please see my response to UPS/USPS-T28-24.

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**UPS/USPS-T28-30.** Please refer to Exhibit C of your testimony. Confirm that in R90-1 and MC97-2, the Mail Processing Costs at Non-BMC Facilities ("FY 1996 Mail Processing Costs" in Exhibit C) excluded the outgoing mail processing costs of each of the following mail processing operations: postage due; mail preparation; platform acceptance; central mail markup. If not confirmed, please explain.

**RESPONSE**

Confirmed. Please see my response to UPS/USPS-T28-24.

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**UPS/USPS-T28-31.** Please refer to Exhibit C of your testimony. Confirm that LR-H-144, cited in Exhibit C as support for the "FY 1996 Mail Processing Costs," does not exclude the outgoing mail processing costs of each of the following mail processing operations: postage due; mail preparation; platform acceptance; central mail markup. If not confirmed, please explain. If confirmed, please explain why you have chosen to deviate from Commission methodology.

**RESPONSE**

Confirmed. Please see my response to UPS/USPS-T28-24.

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**UPS/USPS-T28-32.** Please refer to Exhibit C of your testimony. Confirm that in R90-1, and in R94-1, the Commission methodology excluded ASF costs from the calculation of Mail Processing Costs at Non-BMC Facilities. If not confirmed, please explain in full.

**RESPONSE**

Yes, that is my understanding.

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**UPS/USPS-T28-33.** Please refer to Exhibit C of your testimony. Explain why ASF costs are not excluded from the calculation of Mail Processing Costs at Non-BMC Facilities ("FY 1996 Mail Processing Costs") in Exhibit C.

**RESPONSE**

Please see my response to UPS/USPS-T28-24. With the new volume variability/cost pool approach, segregating ASF costs would be more difficult and not consistent with that new approach. ASFs are a unique facility in that they can act both as SCFs (plants) and also as BMCs. To the extent that ASFs have outgoing mail processing costs, they are acting more like SCFs and feeding parcels on to the BMC. Those costs are properly included in the category of those avoided by DBMC pieces. Additionally, the Commission methodology excluded both ASF costs and ASF volumes. I include both, making any potential unit cost difference minimal regardless.

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**UPS/USPS-T28-34.** Please refer to LR-H-144, Table 1, column (10), "Variable Mail Proc. Costs."

- (a) Are these numbers intended to match the variable mail processing costs by cost pool for Parcels - Zone Rate in USPS-T-12, Table 5? If your answer is no, please explain.
- (b) Confirm that the numbers do not match the variable mail processing costs by cost pool for Parcels - Zone Rate in USPS-T-12, Table 5. If not confirmed, please explain. If confirmed, please explain why they do not match and provide a corrected Table 1 of LR-H-144.

**RESPONSE**

- a. No. These numbers include worksheet adjustments and premium pay factors.
- b. Confirmed. There is no reason to provide a corrected table. Please see my response to (a) above.

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**UPS/USPS-T28-35.** Please provide the most recent version of Management Instruction DM-470-80-3, Mail Acceptance at Bulk Mail centers, and copies of all other Postal Service publications concerning mail acceptance at bulk mail centers. Also, if mail acceptance at bulk mail centers is discussed as a section of a larger Postal Service publication, please provide copies of the relevant sections or pages.

**RESPONSE**

I have provided the most recent version available of the Management Instruction you request. I am not aware of any current publications that address mail acceptance at bulk mail centers.

While the additional attached copies are not from an official Postal Service publication, I am including them because they contain data that might be relevant to your question.



**UNITED STATES**  
**POSTAL SERVICE**

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# *Plant-Verified Drop Shipment Guidelines*

**Revised: APRIL 1997**

## INTRODUCTION

The Plant-Verified Drop Shipment (PVDS) program was implemented on February 3, 1991. The program's focus is to help provide cost-effective, consistent, and timely delivery of periodicals, advertising, and parcel mailings by allowing mailers to transport their product to appropriate entry post offices. Since its inauguration the program has increased customer satisfaction by reducing postage costs and ensuring more timely processing and delivery of the mail. It has also resulted in decreased USPS operational expenses which contributes to stable postage rates.

The PVDS Guideline has been developed to help postal personnel manage and facilitate the drop shipment program. This guideline incorporates the general rules and regulations found in the Domestic Mail Manual and official postal directives. Using the Plant-Verified Drop Shipment (PVDS) acronym, it is divided into four sections, each containing program information specific to: (1) Postal Management, (2) Mailer/Agent, (3) Postal Acceptance Personnel, and (4) Drop Shipment Coordinator.

Our primary intent is to help postal personnel accept plant-verified drop shipments transported by mailers to destination postal facilities. In the event of any ambiguity or discrepancy, the regulations in the DMM and Official Postal directives must be followed.

## Destination Entry Facility

### 1. APPOINTMENT CONTROL CENTER

- **Establishment**

Each USPS District Office and/or BMC facility is responsible for establishing and maintaining a Drop Shipment Appointment Control Center. The core function of the Control Center is to oversee all aspects of the Plant Verified Drop Shipment (PVDS) program in regard to the acceptance of drop shipments. The Control Center manages the computerized Drop Shipment Appointment System (DSAS) used in making drop shipment appointments at destination-entry facilities within the area of the District Office. The Control Center must be open to accept appointment requests, at a minimum from 8 A.M. to 5 P.M. local time, Monday through Friday. These hours may be expanded as necessary on a local basis. The Control Center will also provide a 24-hour emergency contact number to mailers for use in case of truck breakdowns or other situations necessitating immediate Postal attention.

- **Facility Profile(s)**

The Control Center must complete in DSAS and update as necessary the pertinent operating data for each postal facility (BMC, ASF, P&DC, SCF, DDU), including delivery address, a contact name and phone number, a 24-hour emergency contact number, maximum allowable truck/trailer size, and any other information affecting entry of drop shipments.

### 2. APPOINTMENTS

- **Available Slots**

The Control Center must update and change as necessary, the available appointment slot schedule for each entry facility within the area of the District Office. The Control Center must be sensitive to the operational needs, constraints and limits of Postal facilities accepting drop shipments.

- **Appointment Categories**

Appointments must be in one of six categories:

- a. **Palletized** - All mail on pallets that consist of 7 or more pallet positions.
- b. **Speedline** - All mail is on pallets but total no more than six pallet positions.
- c. **Bedload** - Bedload mail (sacks, parcels) unloaded by driver with postal assistance.
- d. **Recurring** - Any mailing deposited on a consistent, recurring schedule.
- e. **Drop & Pick** - Bedload parcels unloaded by Postal personnel within 24 hours.
- f. **Perishable** - All mail is perishable product containerized, palletized or bedloaded.

A mixed load of bedloaded mail and mail on pallets is considered as bedload when making appointments. Perishable drop shipments are not required to have an appointment; however, they must notify the destination facility 24 hours in advance of deposit.

- **Drop & Pick Appointments**

To reduce operational burden, drop and pick appointments for mailings occurring on a regular frequency will be established at the discretion of the BMC/ASF Plant Manager through written application. Fair and equitable treatment of all drop shipment mailers will be a consideration when approving requests for drop and pick reservations. Drop and pick appointments are only available to shippers delivering trailers at 75% or more capacity with bedloaded Standard (B) parcels at BMC and ASF entry facilities. Perishable loads scheduled as drop and picks will be unloaded within 24 hours of arrival or time of appointment (which ever is later.)

Regular frequency means mailings which occur on a consistent recurring basis with at least a monthly frequency.

Mailer (permit holder) requests to establish drop and pick appointments must be written on company letterhead to the BMC/ASF Manager. The BMC/ASF will respond to all requests within ten (10) days. Requests must include the following information:

- \* Name, address, telephone number of the Mailer.
- \* Transportation agent's name (contact person) and telephone number(s.)
- \* Telephone number of the Business Mail Entry office where postage payment is made.
- \* Method used for payment of postage: meter, permit, or pre-canceled stamps.
- \* Mail volume (average.)
- \* Size and type of trailer(s) transporting mail.
- \* Frequency/Schedule.
- \* Transportation agent's name (contact person) and telephone number(s) authorized to pick-up trailer once it has been unloaded.

Drop and pick appointments are approved for a period not to exceed twelve months. Thereafter a new application must be submitted to ensure up to date mailer information is on file. Written request for an additional twelve months may be made within 60 days of expiration of current arrangement.

Failure to adhere to scheduled appointments or other abuse of the procedures will result in revocation of drop and pick appointment privileges. Drop and pick appointments will generally be limited to 20 percent of available dock capacity allocated for drop shipment acceptance.

- **Vehicle Turn-Around Time**

Drop and pick shipments will be unloaded within 24 hours after arrival at the BMC, or from the time of scheduled appointment based on whichever is greater. Mailers or their transportation agents must retrieve their trailer(s) in 24-48 hours as determined by the BMC/ASF once the trailer has been unloaded. The Postal Service will not be responsible for any demurrage incurred by anyone participating in the drop and pick appointment program.

- **Recurring (Standing) Appointments**

To reduce operational burden, recurring appointments for mailings may be established at the discretion of the postal facility manager through written application. Fair and equitable treatment of all drop shipment mailers will be a consideration when approving request for recurring reservations.

Regular frequency means mailings which occur on a consistent recurring basis with at least a monthly frequency. Mailings should be of comparable product in terms of size, weight, volume, and containerization (pallets, container paks, etc.)

Requests to establish recurring appointments must be written on company letterhead to the postal facility manager. The drop shipment appointment control office will respond to all requests within ten (10) days. Requests must include the following information:

- Name, address, telephone number of the Mailer
- Transportation agent's name (contact person) and telephone number(s)
- Mail volume and preparation (trays/sacks/parcels)
- Size and type of trailer(s) transporting mail
- Frequency/Schedule

Recurring appointments may be made for a period not to exceed six months. Thereafter a new application must be submitted to ensure up to date mailer information is on file. Written request for an additional six months may be made within 60 days of expiration of current arrangement.

Failure to adhere to scheduled appointments or other abuse of the procedures will result in revocation of recurring appointment privileges.

- **Perishable Appointments**

Perishable shippers are not required to have an appointment, however, they must notify the destination facility 24 hours in advance of deposit to facilitate timely acceptance, unloading, and processing of their freight.

- **Liability**

The mailer assumes all responsibility and liability for any loss or damage to perishable goods before they are deposited and accepted as mail at destination entry postal facilities, even if a third party transports those mailings.

- **Making Appointments**

The USPS requires a minimum of 24 hours advance notice for an appointment (exceptions to the 24-hour requirement may be granted by a Control Center). Appointments may be made up to thirty (30) calendar days prior to the desired appointment date. Mailers must comply with the scheduled appointment/deposit time.

- **Electronic Appointments**

Appointments may be made electronically by mailers/agents with a personal computer, modem, compatible communications package and a USPS issued computer logon ID. A Corporate Associate Mailer feature of DSAS allows mailers with more than one mailing plant to make appointments for all their plants.

The mailer/agent must provide all pertinent information, as required by the DSAS system regarding the mailing. If specific information requested is not available at the time the appointment is made, mailers can provide it when it is available, but at least 24 hours prior to the requested appointment time.

Mailers with electronic access to DSAS may query close-out data from the system. Mailers may obtain arrival and unload dates and times by using the appointment confirmation number as a reference.

- **Telephone Appointments**

Mailers wishing to deposit destination entry rated mail for ASF, P&DC, SCF or DDUs must call the District Drop Shipment Coordinator. Telephone appointments for BMC loads must be made with the BMC Drop Shipment Coordinator.

The Control Center will enter all telephone appointments into DSAS at the time the appointment is made. If a requested appointment is not available, the Control Center advises the mailer of available appointment slots. If the mailer leaves a request for an appointment on a Control Center answering machine, the Control Center will respond to the mailer promptly, but no later than the next business day. Every effort will be made to accommodate the mailer's requested appointment date and time.

Mailers should not be prevented from scheduling an appointment if all information is not available at the time of their request. Required information includes date, time, mailer's name, appointment type (pallets, bedload, etc.) and quantity.

- **Confirmation Number**

A confirmation number is generated for every appointment by the DSAS program. Mailers making electronic appointments receive a confirmation number upon completing the appointment process. Those making telephone appointments will be notified of the confirmation number by the Drop Shipment Coordinator.

- **Rescheduling Appointments**

In order to retain original confirmation number when an appointment is rescheduled, the mailer and/or Drop Shipment Coordinator should access the appointment information screen and change appropriate fields.

- **Cancellations**

Mailers are required to cancel an appointment(s) they cannot keep. Appointments made electronically should be canceled electronically, unless the cancellation is being made less than 24 hours before the scheduled appointment time, in which case the appointment must be canceled by a telephone call to the appropriate Control Center. Appointments originally made by telephone may be canceled either electronically or by telephone. Control Centers will notify appropriate drop shipment entry offices of all cancellations.

- **Daily Schedule Report**

The Control Center will maintain a master schedule for facilities within its designated area. Written notification of scheduled arrivals and confirmation numbers will be provided to destination entry offices, by copy of the DSAS Daily Schedule Report.

### 3. PVDS ARRIVAL

- **Mailer's/Agent's Responsibility**

Drop shipments will be considered freight until such time as they are actually deposited at the destination facility.

Upon arrival, drivers must check in at a designated area, give name, origin of mailer, load type (e.g., pallets, bedload parcel/sacks, etc.), appointment confirmation number and then as directed, proceed to an assigned area to stage their vehicle. Drivers must adhere to all instructions issued by USPS yard control personnel while driving on Postal premises.

A drop shipment clearance document, (PS Form 8125), must accompany all PVDS mailings. The form must be presented by the driver or be attached to the right rear inside wall of the vehicle. Appointment confirmation numbers must be written on the 8125(s) for the appointment to be honored. A load without a confirmation number written on the 8125, will be considered without an appointment and unloaded when operationally feasible.

### 4. POSTAL ACCEPTANCE

- **BMCs**

Postal Vehicle Control Office has the initial responsibility of accepting the drop shipments. Vehicle control personnel must verify the shipment has an appointment, corresponding confirmation number and is being entered at the correct entry office. If the driver does not know or have a confirmation number, they must call their dispatch office to obtain one. If no appointment was made, the shipper must call and make an appointment through the appropriate Drop Shipment Coordinator.

- **SCF/DDU**

Designated acceptance personnel will abide by the above BMC acceptance procedures.

- **Platform Personnel (Dock Clerk)**

Acceptance of PVDS' by platform employees may consist of eight steps:

- 1) Verify appointment by comparing the appointment confirmation number on the 8125(s) against the Daily Schedule Report. The facility code shown in the confirmation number must match the destination facility's ID code. In some instances, a mailer may arrive with an appointment number not indicated on the Daily Schedule Report. When this occurs, contact the Drop Shipment Coordinator to confirm the appointment.
- 2) Obtain Form 8125 from driver or open the vehicle and remove the 8125 attached to the right-hand wall. Since the vehicle may contain shipments for other entry offices, only remove forms that coincide with your facility.
- 3) Verify that the 8125(s) are complete, signed, and round-dated by the origin post office.
- 4) Compare the shipment with the 8125(s). The contents may be determined in two (2) ways: (1) by counting containers, or (2) weigh the mailing after it is unloaded. Weigh the entire shipment, only when necessary, to confirm volume.
- 5) Note irregularities in the comment section of the 8125 (i.e., no appointment, late arrivals, missed in-home date, poor load integrity, damaged/wet mail, etc.)
- 6) Complete Part III, Items 2 and 3 on form 8125. Accepting employee must sign and date the form(s), retain original and give a copy (if one is provided) to the mailer/agent. Platform personnel may sign and date a bill of lading or other paperwork that describes the shipment.
- 7) Submit all completed 8125(s) to the Drop Shipment Control Center by the end of the acceptance employee's tour of duty.
- 8) Refuse (with supervisory approval) shipments that do not match the 8125. It is not our intent to refuse dropshipments. Every effort must be made to resolve problems, so that incoming mail is handled expeditiously.

- **Resolving Problems**

Most problems are as simple as a driver mixing up clearance forms or a simple data entry error that was not noticed by the origin post office at the time of initial verification. When the driver does not have the proper forms, the origin post office should be contacted and a request made that a facsimile copy of Form 8125 be sent to rectify the problem.

When there seems to be too much mail, spot check sacks or pallets to see if contents are the same. Checking permit imprints, metered postage, or precancelled stamp can help identify mailings. Comparing the top destination line of sack and pallet labels can help determine if the shipment is for the facility or outside that facility's delivery area.

If the discrepancy cannot be resolved, contact the origin post office for assistance. The origin post office may need to contact the mailer to resolve the inconsistency. (Every reasonable effort must be made to contact the origin post office, mailer, and if necessary the transportation company to resolve the discrepancy.)

- **Acceptance Without Resolution**

Until a resolution is reached do not accept the shipment unless it can be handled in one of the following methods:

Situation 1

The driver does not have Form 8125, but has a bill of lading indicating that the mail is for your facility. Postal management may accept the mailing if the entire mailing is weighed and the gross weight and sack or tray count are recorded. Dock supervision must save a sample of at least ten pieces in the mailing. Detailed records must be kept and the origin office and the District's Business Mail Entry Unit contacted as soon as possible.

Situation 2

When there is too much mail in a shipment and you are able to isolate mail that is not for your facility, but the remaining mail matches the volume figures on Form 8125, you may accept only the portion of the shipment that is for your facility. Return the remaining mail to the driver. Document and contact the origin office as soon as possible.

Situation 3

Shipments that appear to be smaller than indicated on the 8125, may be accepted if you weigh the shipment and document the weight per piece, gross weight, and number of sacks and trays. Contact the origin office as soon as possible.

Always document any action taken on shipments accepted with discrepancies.

## 6. REFUSAL OF SHIPMENT

- **Incorrect Documentation**

When mailer/agent cannot provide the necessary documentation for the drop shipment and every effort was made to contact the origin post office, to reconcile the mailing, the shipment should be refused.

- **Load Integrity**

Shipments that have not maintained their integrity in transit (resulting in unstable, leaning and broken containers) may be accepted as bedloaded if the safety of Postal employees is not compromised. Such loads will require driver unloading (with postal assistance) or may be refused. The mailer/agent will have the option to rework refused loads off-site. After scheduling a new appointment the mailing may be resubmitted with appropriate documentation.

- **Defective Vehicle**

Under no circumstances, will Postal personnel or mailer/agent be permitted to unload a vehicle that is defective and a threat to the safety and well being of any person. Such defective equipment must be immediately removed from Postal premises and refused further entry until it has been repaired.

- **Damaged/Wet Mail**

PVDS shipments are considered freight until accepted by the destination entry postal facility. If the load has become visibly damaged (crushed, torn, etc.) or water damaged during transit, the shipment will not be accepted/unloaded. The mailer/agent will have the option to take the shipment off-site and repair the shipment to match its original preparation. After scheduling a new appointment the mailing may be resubmitted.

- **Improper Mail**

Drop shipments that are not compatible with the entry facility's operation (i.e., Periodicals without an "additional entry" authorization to a BMC) will be directed to the appropriate facility. Post office of origin will initiate action to adjust/collect applicable postage rates when shipments must be diverted to an appropriate entry office.

- **Missed Appointment**

BMC, ASF, or SCFs may refuse drop shipments that arrive more than 2 hours after the scheduled appointment time. Destination Delivery Units (DDUs) may refuse drop shipments that arrive more than 20 minutes after the scheduled appointment time. (E350.3.4) When operationally feasible the destination entry office should make every effort to accept late arrivals.

## 7. VEHICLE TURNAROUND TIME

- **BMC/ASF and SCF**

Containerized loads, other than those with speedline appointments, will be unloaded by Postal employees within four hours after arrival or scheduled appointment time (whichever is later.)

Containerized loads with speedline appointments (e.g., occupying no more than six pallet positions) will be unloaded by Postal employees within two hours after arrival or scheduled appointment time (whichever is later.)

Bedloaded drop shipments will be unloaded by the shipper/driver, with Postal employee assistance, within eight hours after arrival or scheduled appointment time (whichever is later.)

Drop and pick shipments are only accepted at BMCs and ASFs. Drop and pick shipments will be unloaded by Postal employees within 24 hours after arrival or scheduled appointment time (whichever is later.) *Perishable loads scheduled as drop and pick appointments are subject to the above 24 hour vehicle turnaround time.*

- **Delivery Units (DDUs)**

All containerized and bedloaded shipments (or any combination) must be unloaded by the shipper/driver within one hour after arrival or scheduled appointment time (whichever is later) at destination delivery units.

- **Mailer/Shipper Responsibility**

It is the responsibility of the mailer/shipper to ensure drivers are aware of the "driver unload" requirement of bedloaded and delivery unit drop shipments.

The driver must remain with and when required, continuously unload the vehicle once at the dock. The driver must remove the vehicle from Postal premises immediately after unloading. The driver is not permitted access to the Postal facility with the exception of the dock and designated driver rest areas.

The mailer is responsible for any demurrage or detention charges incurred by participating in plant verified drop shipments.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

2311

**UPS/USPS-T28-36.** Have you or the Postal Service conducted any tests, surveys or analyses to confirm the acceptance and processing costs estimated to be saved or avoided under the DBMC Parcel Post service?

- (a) If yes, please identify, describe and provide copies of all such tests, surveys and analyses.
- (b) Provide copies of all notes, reports, workpapers and other source documents used in or related to the tests, surveys and analyses identified in (a), above.
- (c) If your answer to (a) is no, please explain how the Postal Service can substantiate the accuracy of estimated avoided costs for DBMC mailings.

**RESPONSE**

No.

a. N/A

b. N/A

c. **The Postal Service is substantiating the accuracy of the estimated avoided costs for DBMC mailings by presenting those estimates in this proceeding where they are receiving a thorough and independent review by the Postal Rate Commission as well as intervenors with diverse and opposing interests as to the size of the discount.**

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

2312

**UPS/USPS-T28-37.** Please identify and describe new, or modifications to, acceptance procedures, processing operations, activities, manning levels, and facility design at AOs, SCFs, BMCs, and ASFs, that will be required to support the proposed DBMC, DSCF, DDU drop ship discounts for Parcel Post.

**RESPONSE**

Any modifications of acceptance procedures, if they would prove necessary, would still be in the development stage and would not yet have been produced or finalized. I am aware of no changes to manning levels. Implicit in my testimony, is an assumption that processing operations and activities as well as facility design remain essentially unaffected by the new worksharing proposals.

**UPS/USPS-T28-38.** Please provide a detailed explanation of the processing of DBMC pallets of Parcel Post mail that are received at BMCs and cross-docked for delivery to an SCF within the BMC service area, including:

- (a) Requirements for containing the parcels on the pallet, e.g. shrink wrapping;
- (b) Requirements and type of information on labels, placards, etc. for the mail on the pallet; please provide an example of an actual completed label, placard etc.;
- (c) Presortation requirements of parcels on a pallet including number of zip digits e.g., all with the same 3 digit destination zip etc.;
- (d) Origin zip code used for the palletized mail for determining DBMC postage from a zone chart.

## **RESPONSE**

Please see Exhibit F of my testimony. Our data suggests that 96.2 percent of machinable DBMC parcels and 98.2 percent of nonmachinable DBMC parcels arrive bedloaded.

a. I know of no such requirements. Pieces qualifying for the DBMC rate are generally deposited at the destination BMC and are not required to be palletized.

At that point they are usually either inducted into the Parcel Sorting Machine (machinables) or sorted to the 3-digit SCF (nonmachinables) level by other means. Please see witness Daniel's parcel models (USPS-T-29) for additional information.

b. I know of no such requirements.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

- c. If this were to occur, I assume machinable parcels would need to be sorted to 5-digits and nonmachinables sorted to the 3-digit SCF level.
- d. My understanding is that the origin ZIP code will be that of the facility that the parcels are deposited at.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE

**UPS/USPS-T28-39.** Please refer to Exhibit F, page 1 of 2 of USPS-T-28.

(a) Please explain all differences between the costs for mail processing at destination BMCs in this Exhibit with those derived by Witness Daniel for DBMC mail in USPS-T-29, Appendix V, pages 10-12.

(b) Please confirm that the costs avoided at the BMC by DSCF mail is being measured against that of DBMC mail. If not confirmed, please explain.

**RESPONSE**

(a) In line 1, pages 10-12, witness Daniel makes the simplifying assumption that all DBMC mail arrives bedloaded. The study in LR-H-131 estimates the actual proportion to be 96.2 percent for machinables and 98.2 percent for nonmachinables. Witness Daniel will file errata adjusting for this small difference. Lines 2-6 of page 12 (USPS-T-29, Appendix V) contain a small calculation error in the dispatch profile and errata will be filed correcting this. The correct numbers can be found on page 16 of witness Daniel's Appendix V and in my Exhibit F. Finally, for ease of presentation I round to 3 decimal places, while witness Daniel shows 4 decimal places.

(b) Confirmed.

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
RESPONSE TO INTERROGATORIES  
OF UNITED PARCEL SERVICE**

**UPS/USPS-T28-40.** Please refer to page 7 of your direct testimony. Please confirm that DDU mailers using sacks would have to unload the sacks and dump the sacks without Postal Service assistance. If confirmed, please explain where and how DDU mailers will unload and dump the sacks. If not confirmed, please explain.

**RESPONSE**

Confirmed that to be consistent with my costing approach, DDU mailers using sacks will need to unload and dump them. It is my understanding that this will be done in a manner consistent with local parking regulations, floor layout, processing procedures, etc. Please see witness Mayes' response to OCA/USPS-T37-12(a).

U. S. Postal Service Witness Charles L. Crum  
Response to Interrogatories of  
ValPak, et. al.

**VP-CW/USPS-T28-1.** Shown below are the total volume variable costs for Third-Class Regular Rate Carrier Route Mail in the Base Year, and projected total volume variable costs for Standard A ECR Test Year Before and After Rates (in thousands).

	<b>Base Year</b>	<b>Test Year BEFORE Rates</b>	<b>Test Year AFTER Rates</b>
<b>Letters</b>			
<b>Non-Letters</b>			
<b>Total</b>	\$1,821,927	\$2,140,863	\$1,894,972
<b>Source</b>	USPS-5A	USPS-15E	USPS-15H

- a. For any of the years shown, does the Postal Service have a breakdown of the total CRA costs for Standard A ECR Mail as between letters and non-letters?
- b. If so, please provide.

**RESPONSE**

We did produce a breakdown of Standard Mail (A) ECR costs, however, the numbers listed are not meant to be a definitive statement of Base Year costs, but are an estimate produced for the purpose of preparing LR-H-108 and showing the cost difference between parcels and flats in Standard Mail (A). Similar data is not available for Test Year Before Rates or Test Year After Rates. Please see my response to PSA/USPS-T28-5(d).

- b. Letters = \$742,360, Nonletters = \$1,079,567 (Source: Corrected electronic version of LR-H-108 filed September 18, 1997). Please note that these numbers are not adjusted for the differing levels of dropship or presort. An adjustment could be made using the logic contained in Table 7 of LR-H-108 and the letter vs. nonletter data available in the library reference.

1 CHAIRMAN GLEIMAN: Does any participant have  
2 additional written cross examination for witness Crum?

3 [No response.]

4 CHAIRMAN GLEIMAN: There doesn't appear to be any.

5 Before we begin oral cross examination, let's  
6 touch briefly on the status of library references used by  
7 witness Crum.

8 I believe that the Postal Service previously  
9 indicated that witness Crum would be sponsoring documents  
10 previously lodged with the commission as library references.  
11 I will ask counsel to take care of that process before we  
12 begin our cross examination.

13 Additionally, I want to mention that library  
14 reference 144, entitled "Standard Mail B Parcel Post  
15 Processing and Window Service Cost" is also at issue.

16 MR. REITER: Material that was previously or  
17 originally filed in library reference 108 has already been  
18 incorporated into the witness' testimony.

19 We did that, I believe, on October 1st, and that  
20 material was provided to the reporter when I gave him  
21 witness Crum's written testimony.

22 Library reference 144, I think we are prepared  
23 also to enter as part of witness Crum's testimony.

24 CHAIRMAN GLEIMAN: Would you like to take care of  
25 that at this point?

1 MR. REITER: Sure.

2 BY MR. REITER:

3 Q Mr. Crum, I'm handing you a copy of a document  
4 that is labeled Library Reference-H-144. Was this material  
5 prepared by you or under your direction?

6 A Yes, it was.

7 Q And if you were to testify orally today to this  
8 material, would your testimony be the same as indicated in  
9 this document?

10 A Yes, it would.

11 MR. REITER: Mr. Chairman, I will hand this copy  
12 to the reporter and ask that it be entered into evidence.

13 CHAIRMAN GLEIMAN: Mr. Reiter, if you will permit  
14 me to ask a question of counsel.

15 MR. REITER: Sure.

16 CHAIRMAN GLEIMAN: My assumption is that you've  
17 examined the document and that, in your opinion, it complies  
18 with Rule 31(k)?

19 ~~THE WITNESS:~~ <sup>MR. REITER</sup> Yes.

20 CHAIRMAN GLEIMAN: Thank you.

21 If you would please provide a copy to the  
22 reporter, I'm going to direct that it be accepted into  
23 evidence and not transcribed into the record.

24 [Library Reference H-144 was  
25 received into evidence.]

1           CHAIRMAN GLEIMAN: Now, I want to go over the  
2 ground rules that we've been using regarding library  
3 references recently sponsored by Postal Service witnesses.

4           First, I have preserved a general objection for  
5 any counsel that wishes to contend that accepting these  
6 documents into evidence under the procedural circumstances  
7 of this case that they've been denied due process or  
8 otherwise -- that our procedures are otherwise inconsistent  
9 with acceptable administrative procedures.

10           We -- we've -- we have reserved the right of  
11 counsel to object, and -- and participants intend to perfect  
12 such an objection are to file written motions.

13           I have not previously set a cut-off date for such  
14 motions. Since the scope of this practice is not completely  
15 known yet, I'm hesitant to set a final date for such  
16 motions. Obviously, I would like to have the matter  
17 resolved.

18           I will ask that any motions concerning the  
19 admission of evidence -- into evidence of materials  
20 initially submitted as library reference -- references be  
21 filed by a week from today, October the 16th. I will allow  
22 seven days for responses, or until the 23rd of October.

23           If additional controversy warrants, additional  
24 pleadings may be submitted, but it is my hope that we can  
25 resolve these problems and move ahead.

1           In the meantime, I am sure you have some concerns  
2 about whether to attempt to cross examine on material  
3 sponsored as evidence. When a witness takes the stand, I  
4 urge counsel to conduct cross examination on this evidence  
5 to the extent possible.

6           I recognize the possibility that a participant may  
7 request that a witness be recalled or required to provide  
8 additional written responses, but to the extent that counsel  
9 is prepared to explore issues now, I request that you do so,  
10 so that we can narrow the scope of the outstanding issues.

11           Because the library references being sponsored  
12 into evidence were often major inputs to pre-filed  
13 testimony, discovery has addressed many of them, and counsel  
14 may be sufficiently aware of their content so as to allow  
15 for effective cross examination.

16           I note that, yesterday, counsel conducted  
17 professional and effective cross examination concerning  
18 aspects of library references sponsored on that day as  
19 evidence.

20           Five participants have requested oral cross  
21 examination of witness Crum: Florida Gift Fruit Shippers  
22 Association, Nashua-District-Mystic-Seattle, Parcel Shippers  
23 Association, Recording Industry Association of America, and  
24 United Parcel.

25           Does any other participant wish to cross examine

1 this witness?

2 [No response.]

3 CHAIRMAN GLEIMAN: If no other witness -- if not  
4 other participant wishes to cross examine, then Mr. Wells,  
5 if you're prepared to begin your cross examination.

6 MR. WELLS: Mr. Chairman, I do not have any  
7 original oral cross examination. I'll reserve it for  
8 followup.

9 CHAIRMAN GLEIMAN: Thank you, sir.

10 Hoping to have my alphabets right today, that  
11 brings us to Nashua-District et. al.

12 Mr. Olson?

13 MR. MAY: Mr. Chairman, Mr. Olson asked if I would  
14 precede him for PSA before they go on, which I have agreed  
15 to do.

16 CHAIRMAN GLEIMAN: Thank you, Mr. May. I notice  
17 that Mr. Olson indicated he is agreeable, so we'll begin the  
18 cross examination, then, with Parcel Shippers Association,  
19 whenever you're prepared to start, Mr. May.

20 MR. MAY: Yes.

21 CROSS EXAMINATION

22 BY MR. MAY:

23 Q Good morning, Mr. Crum.

24 A Good morning.

25 Q If you will direct your attention to your response

1 to NDMS-1-B --

2 A Okay.

3 Q -- you there state -- and I quote -- that you,  
4 quote, "personally supervised both the planning and conduct  
5 of the studies described in library reference 108. I  
6 produced and/or assisted with the separate analyses to  
7 varying degrees. I completely reviewed the printed version  
8 of the library reference other than the computer  
9 documentation," end quote, and in that answer, in part D,  
10 you also state your department designated an official  
11 technical representative other than yourself, which person  
12 was responsible, quote, "for all contractual resources that *we*  
13 ~~used~~ and ~~handled~~ the administrative details as necessary,"  
14 close quote.

15 Would you please compare your duties on this study  
16 with those of the technical representative and explain  
17 approximately how much of your time was consumed in your  
18 duties with respect to this study during the period of time  
19 it was being conducted, expressed as a percentage if that's  
20 convenient?

21 A I'm sorry. As a percentage of what?

22 Q The -- the time during which this study was being  
23 conducted. Would you tell us how much of your time,  
24 expressed as percentage, if that's convenient, how much of  
25 your time you spent on this study during the time the study

1 was being conducted?

2 MR. REITER: Mr. Chairman, I'm -- I'm having a  
3 hard time seeing the relevance of how much of all of witness  
4 Crum's work time is spent on a particular study is to his  
5 involvement. I mean I'm sure he can describe what he did,  
6 but --

7 CHAIRMAN GLEIMAN: I -- I suspect, knowing Mr.  
8 May's skills and interest in this matter, that -- that there  
9 is a point to be made here, and if the witness can answer  
10 the question, then I think we should allow him to answer the  
11 question.

12 MR. MAY: Yes.

13 BY MR. MAY:

14 Q If you don't understand, Mr. Crum, you did say  
15 that you personally supervised both the planning and the  
16 conduct of the studies.

17 I'm trying to ascertain exactly how deeply you  
18 were involved with this study to see what your level of  
19 responsibility for the study was and how familiar you are  
20 with it.

21 A Right.

22 Actually, I think there were two parts of this  
23 question?

24 The first part kind of compared my role to the  
25 technical representative --

1           CHAIRMAN GLEIMAN: Excuse me. I think the mike is  
2 on. Could you just tap on it? You're going to have to pull  
3 the mike a lot closer to you.

4           THE WITNESS: Okay. I'm sorry.

5           CHAIRMAN GLEIMAN: That's okay. It's not -- we  
6 have this problem all the time.

7           THE WITNESS: Don't want to run into it.

8           CHAIRMAN GLEIMAN: Sometime during the day we have  
9 to ask people to push the mike further away.

10          THE WITNESS: Okay.

11          CHAIRMAN GLEIMAN: So, it works both ways.

12          THE WITNESS: I believe the first part of that  
13 question addressed my role as compared to the technical  
14 representative's role.

15                 Our designated official technical representative  
16 fills out the paperwork and deals with the paying-type  
17 issues, and that's the extent of their role involved in this  
18 study, receiving mail, things like that, unrelated to  
19 technical aspects of the study.

20                 My role related to this study -- and again, this  
21 is a complicated question as far as the time spent, because  
22 this library reference 108, which is now -- is part of my  
23 testimony, began as library reference PCR-38 in the parcel  
24 reform case.

25                 As that was being developed, I would guess over a

1 year ago now, probably a year-and-a-half ago, that involved  
2 -- I would say, for a period of a couple weeks, that  
3 probably involved almost 100 percent of my time at that  
4 point.

5 Now, that library reference -- again, the parcel  
6 case then was ended. We then developed a new library  
7 reference, which was 108, which is now in my testimony.

8 At the beginning of those changes of turning the  
9 former parcel case library reference into the current  
10 library reference 108, which is now in my testimony -- at  
11 the beginning of that, that was probably taking, I would  
12 say, one-third, maybe 33 percent of my time for the first  
13 two weeks.

14 After that, there were occasional times where it  
15 took maybe 100 percent of my time for two or three days, and  
16 there were certainly weeks in there where it maybe took zero  
17 percent of my time, where there was probably no work being  
18 done by anybody.

19 BY MR. MAY:

20 Q Since you say that you supervised the planning,  
21 can you tell us -- what did you tell Christensen Associates  
22 you wanted them to do on this updating?

23 A Again, the original planning for what became this  
24 took place about -- that would have taken place perhaps in,  
25 I think, maybe March of 1996. At that point, I came up with

1 a plan in my head of how to break up Standard Mail A parcel  
2 costs -- Standard Mail A costs between flats and parcels and  
3 wanting to break them out into logical categories. I had  
4 certain ideas about how that might be done.

5 They had particular expertise in a couple  
6 important areas, which is why we contracted with them.  
7 There were other areas where they did not have particular  
8 expertise, and through a combined effort of many members of  
9 the Postal Service, we developed this library reference.

10 Q This is your ideas about the original study, the  
11 -- or -- or this is the updated study?

12 A Most of the planning time went into producing the  
13 original study.

14 There was little planning -- there were certainly  
15 a number of changes for a variety of reasons when we  
16 produced library reference 108, which is now in my  
17 testimony, but the -- the planning -- the -- the planning  
18 that took, you know, full time for a period of several  
19 weeks, that took place in preparation of the -- for the  
20 parcel case library reference.

21 Q Now, it was your idea, then, to abandon the  
22 approach in the previous study of simply comparing the costs  
23 of ECR flats and parcels? Was that your idea or  
24 Christensen's?

25 A It was my idea to do that in the parcel case, and

1 it was my idea to not do that in this case.

2 Q Yes. And I -- I'll ask you a followup to that a  
3 little bit later, but this -- you're the one who made that  
4 decision.

5 A Absolutely.

6 Q Okay.

7 Now, if you can address yourself to your new  
8 Exhibit K, which is a part of the 108 library reference that  
9 you have now attached to your testimony --

10 MR. MAY: Part of the witness' revised testimony,  
11 Mr. Chairman, is a new section, which it actually attaches  
12 an Exhibit K, which is part of the study.

13 CHAIRMAN GLEIMAN: Thank you for your assistance,  
14 Mr. May.

15 BY MR. MAY:

16 Q Do you have that, Mr. Crum?

17 A Yes, I do. I have that in front of me.

18 Q Now, if you will look at page two of that exhibit,  
19 the -- this page, by the way, is -- is it not? -- simply  
20 kind of a narrative description of -- of how you collected  
21 the various cost segments and split them up by shape and  
22 that sort of thing, but focusing on paragraph two there,  
23 where it talks about mail processing costs, you there say  
24 that mail processing costs were estimated by summing the  
25 variable mail processing costs by shape with the remote

1 encoding costs.

2 Mail processing costs were taken from the variable  
3 mail processing costs development by shape shown in library  
4 reference H-106. Do you see that?

5 A Yes.

6 Q So that this was not, these mail processing costs  
7 by shape were not derived from a special study that the Post  
8 Office commissioned in order to find out the differences  
9 between parcels and flats; is that correct?

10 A Yes. Library Reference 106 was done for purposes  
11 other than the use of our data, than my use of the data in  
12 producing that library reference.

13 Q Mainly and in fact Library Reference is not a  
14 study as such, is it? It is a compilation of existing  
15 Postal data?

16 A Any questions related to 106 should probably be  
17 referred to the person who developed that.

18 Q That's what I was going to ask you. You are not  
19 then sponsoring 106?

20 A Me personally?

21 Q Yes.

22 A No.

23 Q Then are you in any position to vouch for the  
24 costs that Library Reference 108 took from Library Reference  
25 106?

1           A     My understanding of Library Reference 106 is that  
2 those -- that is the official Postal Service understanding  
3 of costs, of mail processing costs by shape. So to the  
4 extent that that is the official Postal Service  
5 understanding, I believe that that would carry substantially  
6 more weight than any particular study I might have done for  
7 purposes of -- for my purposes in this case.

8           Q     It is a great comfort to know that it is  
9 officially the position of the Post Office to know that  
10 flats cost less than shape. But that's what this case is  
11 about, isn't it, Mr. Crum? What is your proof? I'm asking  
12 you, what is your proof that mail processing cost for flats  
13 is less than for parcels in standard A? I take it your  
14 answer is you got that data from another study that you  
15 didn't do, that you didn't supervise and that you're not  
16 familiar with other than to have read it; is that correct?

17           MR. REITER: Mr. Chairman, if it will help, I  
18 think yesterday we would have a witness sponsoring that  
19 library reference so Mr. May will have an opportunity to  
20 explore that with that witness.

21           MR. MAY: Well, I have a pending question, Mr.  
22 Chairman.

23           CHAIRMAN GLEIMAN: Let's -- you didn't object to  
24 the question. Let's allow the witness to answer to the  
25 question to the extent that he can, unless you are lodging

1 an objection. And then if you are, please let me know the  
2 grounds.

3 MR. REITER: I believe I have, in part, based  
4 on -- I mean, I think there are some implications in  
5 Mr. May's question in light of the fact that that is going  
6 to be sponsored, I might suggest that he rephrase it  
7 slightly.

8 MR. MAY: Mr. Chairman, this witness has used this  
9 data source. I am simply asking this witness --

10 CHAIRMAN GLEIMAN: The witness, if I understand  
11 what he said before, said in his professional opinion, and  
12 no one has attacked his expertise, that he has relied on a  
13 document that has a number in it that he believes, given his  
14 expertise in this area, to be legitimate and solid document.

15 Now, as I recall the discussion by one of your  
16 colleagues in the bar the other day, that seemed to be the  
17 standard for his using a number out of another document  
18 under Rules of Federal Procedure 703. We have an  
19 interesting situation here, Mr. May.

20 I think that most of us have a sense of how  
21 difficult this case is and how important these issues are to  
22 the Postal Service and to various and sundry parties who  
23 have intervened in the case. I suspect before it is all  
24 over, in order that the Commission not be placed in a  
25 position of voting to violate its rules, that every library

1 reference that anybody made reference to is going to be a  
2 matter of evidence in this record.

3 My mother told me a long time ago to be careful  
4 what you wish for because you're liable to get it. If the  
5 witness can answer the question, fine. If the witness can't  
6 answer the question, the witness can say so. And I would  
7 appreciate if Postal Service counsel would allow Mr. May to  
8 continue with his cross-examination and we will just all  
9 read the record and see what it says later on. And if  
10 Mr. May wants to come back at the appropriate time and  
11 cross-examine the witness that the Postal Service presents  
12 with respect to Library Reference 106, he can do so. If he  
13 chooses not to do so, that will be the case. And I suspect  
14 that before it's all over, when parties go to present their  
15 cases, they may have some library references, too. And, who  
16 knows, what's good for the goose is good for the gander.

17 So let's just get on with it today. Fire away,  
18 Mr. May.

19 BY MR. MAY:

20 Q Yes. Mr. Crum, I take it that you simply are  
21 relying upon 106's authenticity and you can't personally  
22 vouch for it. That's what you're saying?

23 A I don't believe that's exactly what I'm saying. I  
24 can explain my full understanding of 106.

25 Originally, in the parcel case, we used ~~LEOCAD~~ <sup>LILOCATT</sup>

1 data to break out mail processing costs by shape. Because  
2 of the way the Postal Service's new costing approach with  
3 MODS cost pools, it was no longer consistent with the Postal  
4 Service's proposals to do it that way. We therefore had to  
5 come up with a new way of segregating mail processing costs  
6 by shape. That way developed into Library Reference 106.

7 Long before Library Reference 108 was prepared, I  
8 had discussions with the individuals that produced the data  
9 that became Library Reference H-106 and they absolutely  
10 confirmed that this data would be perfect for the purposes I  
11 was using it for. While I did not do that study, these are  
12 people who have put their full effort into producing their  
13 best understanding of those costs and I fully believe that  
14 they have done that.

15 My personal understanding of 106, again the data  
16 can be very complicated. All I have done is read it and  
17 talked with the people that have produced that and I fully  
18 trust that they have done that correctly.

19 Q That study was done by contractors?

20 A No, it was not.

21 Q 106 was done by in-house personnel?

22 A Yes.

23 Q Now, in 106, 106 itself uses, does it not, another  
24 source of data, yet again another library reference; am I  
25 correct? Specifically the MODS-based costing system?

1 A Yes, it does.

2 Q And that's in yet again another library reference;  
3 is that correct?

4 A Yes.

5 Q So we've got one library reference supplying data  
6 to another library reference and that library reference is  
7 supplying data to the study that you take responsibility  
8 for. Does that kind of sum it up?

9 A That is probably not the way I would word it but I  
10 believe that is factually correct.

11 Q And that is the key data, is it not, that we want  
12 to find out here; i.e., does mail processing of flats cost  
13 less than mail processing of parcels. That is precisely the  
14 data we are most interested in, is it not?

15 A My use of 106 is to get mail processing costs by  
16 shape <sup>in</sup> ~~and~~ standard mail A.

17 Q Just a few more questions about this study. In  
18 your response to Nashua's Question 4 you identify the  
19 standard mail A bulk parcel characteristics study described  
20 in Appendix C of Library Reference BCR-38 and the density  
21 study described in MC-95 and as Library Reference MCR-13 as  
22 other data sources. Could you explain briefly how the data  
23 information derived from those studies was used by you or by  
24 those who conducted the 108 study to help measure the cost  
25 differences between parcels and flats?

1           A       Why don't I start with the density study. The  
2 density study estimates the density of letter and  
3 flat-shaped mail which are therefore used in 108 to help  
4 produce an estimate of cubic volume per piece. My  
5 understanding of Library Reference MCR-13 suggested that  
6 there was not good parcel data available. <sup>in</sup> ~~in~~ conjunction with  
7 our bulk parcel characteristics study we developed this  
8 similar density data for standard mail A parcels. Again  
9 that's also used to get the cubic -- help estimate the cubic  
10 volume per piece of standard mail A pieces by shape.

11           Q       And then what do you do with that information?  
12 Now you know what the cubic volume per piece is. What do  
13 you do with that?

14           A       If you go to Table 3 in Exhibit K of my testimony,  
15 you'll see that a number of the costs areas across are  
16 distributed -- the costs are distributed based on cubic  
17 volume. For example, highway transportation, rail  
18 transportation, vehicle service drivers. If you know the  
19 density by shape of mail and you know the weight, then you  
20 can get the cubic volume of that shape of mail, and that's a  
21 way that we -- the way to break out those particular cost  
22 segments by shape.

23           Q       Those are largely transportation segments where  
24 space has an impact on cost; is that not true?

25           A       That's generally true; yes.

1 Q Okay. Now -- and the other study? You cited two  
2 studies. They both --

3 A Yes.

4 Q Are used for the same purpose?

5 A Yes, they both were used for the exact same  
6 purpose. One of them had letter and flat data. The other  
7 one has parcel data.

8 Q Now, since those are the only two studies you do  
9 mention, am I correct in assuming that you -- since you  
10 don't mention that you took a new sample, am I correct that  
11 you did not take a new sample of parcels and flats in this  
12 new -- this updated version of the 108 study?

13 A In the 108 study we used -- that was different  
14 than the parcel case study -- we used 1996 cost and volume  
15 data as opposed to 1995 cost and volume data because of the  
16 new base year.

17 Q I know, but you had also had a -- drawn a sample  
18 in the previous study, and you had a report of what the  
19 sample consisted. In ECR there were so many types of  
20 records, rolls, whatever -- you had them broken down,  
21 merchandise samples. You had actually taken a sample of  
22 flats and parcels. That does not seem to be a part of the  
23 updated study, and I just wanted to know is that correct,  
24 that there is no new sample attached to this -- to the  
25 updated study?

1           A     Let me answer that in a couple ways.  First of  
2 all, for the purposes of the costs and volumes, we do not  
3 use any samples, we use the complete data, so there's no  
4 sampling involved.  The sampling we did as part of the bulk  
5 parcel characteristics study that was included in the  
6 library reference in the parcel case, and I understand that  
7 since that was provided as a library reference on the parcel  
8 case, that's data that could still be used on the record.  
9 That sample broke out a number of parcel characteristics,  
10 for example, the different types of standard mail A parcels,  
11 the sizes, the shapes, and other characteristics related to  
12 machineability, for example.

13           Q     But you didn't do a new sample?

14           A     We did not do a new sample.  There was not time  
15 available to do a new sample.  We did our study during  
16 fiscal year 1996, and that is the base year, so I would  
17 suggest that it would not have been desirable to do a new  
18 sample.

19           Q     Well, I mean you say since it's in the parcel case  
20 study that it's still valid.  Is that your testimony, that  
21 you still vouch for the description of that sample that was  
22 contained in your previously filed testimony?

23           A     The bulk parcel characteristics study was not in  
24 my testimony in the parcel case, it was in PCR-38.

25           Q     Yes, but --

1 A It was referenced.

2 Q Yes. Do you still --

3 A It was in PCR-38, which was a library reference in  
4 MC-972.

5 Q But you still vouch for that as you did by  
6 reference in the parcel case?

7 A The only part of that study that was used  
8 specifically in my testimony in the parcel case or is used  
9 in my testimony now is the density data from that study.  
10 The other data -- and there was a lot of data involved in  
11 that study -- was not used per se in my testimony. But it's  
12 available.

13 Q I'd like to ask you, Mr. Crum, if you're familiar  
14 with the revised Exhibit A that is in Mr. Fronk's testimony  
15 about mail processing, unit costs? I have a copy of that  
16 exhibit that's in his filed testimony if you're not familiar  
17 with it.

18 A I'm not familiar with that; no.

19 I'm sorry, I am not familiar with it by that name.  
20 I have seen this document before. Not in its -- not in the  
21 revised version but I had seen the unrevised version.

22 Q Okay. You will recall that in your study in  
23 Library Reference 108, you found a very significant cost  
24 difference between bulk parcels, standard A parcels and  
25 flats of around 40 cents. The number keeps changing but the

1 average of the two numbers that you have put in are around  
2 40 cents, which is close enough for the question. Is that  
3 correct?

4 A If you can -- depending on how you characterize  
5 "around 40 cents," yes.

6 Q Now, if you will look at this exhibit, this  
7 purports to show what the cost of handling nonstandard First  
8 Class Mail are and we have nonstandard letters and parcels;  
9 do you see that? Letters, flats and parcels.

10 A Yes, I do.

11 Q Now, in First Class, a nonstandard flat costs  
12 20.87 cents a piece and a nonstandard parcel costs 21.96  
13 cents. I mean, they are almost the same. Do you see that?

14 A I see the numbers you are referring to, yes.

15 Q Can you explain why it is that in First Class the  
16 cost of processing a flat and a parcel is roughly the same  
17 whereas in standard A it suddenly costs 40 cents more per  
18 piece to process the parcel than a flat? Do you have any  
19 explanation for that?

20 A Let me go about that in two ways. First of all, I  
21 would need to trace through Exhibit A and find out exactly  
22 what the source is of these numbers and find out what is  
23 going on. I can't really take them as is. All that I see  
24 is six numbers printed on a sheet of paper. I would need to  
25 find out what goes into that.

1           Second, I would like to point out that this is  
2 First Class and not standard mail A and there are certainly  
3 different -- those streams are certainly different.

4           Q     Well, they do --

5           A     I am unable to answer that question as asked.

6           Q     All right, fair enough.

7                     Is a possible explanation that your data is no  
8 good?

9           A     I don't believe that is a possible explanation.

10          Q     That's not a possibility? All right.

11                     Let me shift gears a bit. The -- and it has to  
12 deal with this general subject matter I am going to get in.

13                     The question of just how it is that Postal  
14 personnel are able to recognize what's a flat and what's a  
15 parcel, Mr. Crum. Now, if you have reference to your  
16 response to Nashua's 3-A, you there state that your volume  
17 data for parcels comes from the permit system where the  
18 determination of the particular item of the parcel was  
19 governed by the mailing statements, correct?

20          A     Yes.

21          Q     Now, let me ask you this. Since there is  
22 currently no rate distinction between standard A parcels and  
23 flats, I mean, as of today, there isn't. They pay the same.  
24 What difference does it make what the mailer puts on the  
25 mailing statement, whether he says this is a flat or parcel?

1 It has no rate consequences, does it?

2 A That's true, there is no rate consequence.

3 Q Then why would anybody in the Postal Service audit  
4 the data put on the mailing statement or try to find out  
5 whether or not the mailer is filling this out correctly, if  
6 it has no consequences however he filled it out?

7 A I believe I answered that question, if you will  
8 bear with me for a second, here.

9 If you refer to my response to DMA-4, under B, my  
10 response under B says, again, it is my understanding that  
11 checking shape designations is standard practice upon  
12 acceptance and verification of a mailing. Under my response  
13 for C and D, there could also be a rate implication since  
14 automation compatible flats are limited to three-quarters of  
15 an inch in thickness. There are also differing makeup  
16 requirements between flats and parcels. And the last thing  
17 I say there is these business mail acceptance clerks undergo  
18 a 120-hour standard mail classification training program and  
19 that, again, it is my understanding that they check it and  
20 that they are fully trained, certainly a lot better trained  
21 than I am at differentiating flats from parcels, that they  
22 should be able to do a fine job correcting any misstatement  
23 on the mailing statement as such.

24 Q Can you state for a fact that during that training  
25 emphasis is given in the training program to an ability to

1 distinguish between standard A flats and standard A parcels?

2 A That is my understanding from speaking with the  
3 people that are involved in that study that that is one of  
4 the items discussed as part of that training program.

5 Q Do you believe based on whatever knowledge you  
6 have of the subject, do you believe that even a trained  
7 Postal supervisor is able simply with the use of the unaided  
8 eye to distinguish a flat from a parcel where the dimensions  
9 are quite close?

10 A I would guess they would probably use more than  
11 the unaided eye in trying to distinguish that.

12 Q Have you ever been there to see them take the tape  
13 measure out? Have you ever seen that happen?

14 A I have never seen that happen.

15 Q So you're guessing that that's what they do?

16 A All I said was that --

17 Q Yes, please, go ahead.

18 A -- that it would be difficult with the unaided  
19 eye.

20 Q Thank you.

21 I'd like you to refer to your response to ADVO's  
22 responses number six through 13, which is just a whole  
23 series of questions where ADVO asked the -- you to confirm  
24 -- ADVO asked for confirmation that a whole series of  
25 specifications, measurements were, indeed, the -- the

1 guidelines, and it goes on for pages.

2 A I'm sorry, counsel. I believe I've only gotten  
3 one interrogatory from ADVO, and it doesn't sound like the  
4 question you're describing.

5 Q I'm sorry. These were not to you. Forgive me.  
6 They -- they are not your responses. If you're not familiar  
7 with them, then I will ask someone else about them.

8 They -- they simply were a series of questions  
9 asking a postal witness to confirm a whole series of the  
10 dimensional criteria for letters and flats, but if you're  
11 not familiar with the dimensional criteria, then I will move  
12 on.

13 In your response to Nashua's question 26, you  
14 there stated that you chose the -- your methodology in this  
15 case, where you combined all Standard A subclasses and rate  
16 categories together because your proposed surcharge will  
17 impact all of these rate categories and not just the ECR  
18 category, and you go on to state in that answer that you,  
19 quote, have no idea -- "have no data to show that weight,  
20 per se, has a significant impact on Standard Mail A parcel  
21 costs, particularly in the range of weights discussed,"  
22 close quote. Do you see that?

23 A Yes, I do.

24 Q First of all, just what do you mean by the "range  
25 of weights discussed"? What weights are we talking about?

1 What did you mean there?

2 A The difference between -- depending on how -- on  
3 which of the four subclasses of bulk Standard Mail A you're  
4 talking about, flats and parcels do not weigh the same in  
5 all four of those subclasses.

6 The largest -- I don't have this in front of me,  
7 but if my memory serves correctly, the largest difference in  
8 weight is approximately between three ounces and eight  
9 ounces. That's the range of weights I'm talking about,  
10 three ounces to eight ounces.

11 Q Surely it's not your testimony that there is no  
12 Standard A flat or parcel that weighs more than eight  
13 ounces, is it?

14 A No, that's not my testimony. I was specifically  
15 referring to the average weights in those subclasses of  
16 Standard Mail A where there are differences in average  
17 weights between flats and parcels.

18 Q You mean -- so you -- you want to qualify the  
19 answer to say that you mean by the -- the range of average  
20 weights being discussed, I mean that there is a -- an  
21 average weight --

22 A That would be an accurate way of describing what I  
23 intended by that sentence.

24 Q But in fact, there are millions, millions of  
25 parcels, Standard A parcels that exceed eight inches, are

1 there not, that exceed the average?

2 A I assume you mean eight ounces. Yes, there are  
3 both parcels and flats across the full range.

4 Q Well, I mean we're talking about millions and  
5 millions, aren't we? I'm -- this isn't some little thing, a  
6 speck of -- that you can just disregard. These are huge  
7 volumes that are exceeding that, are they not?

8 A If the average weight is eight ounces, I would  
9 guess that there should be an equal amount above as below  
10 that number.

11 Q Yes. So, you could be talking 50 to 100 million  
12 parcels, couldn't you, easily?

13 A I don't know exactly how many.

14 Q Well, but the point is your testimony was that you  
15 didn't think weight was important in -- in the -- in the  
16 range that you were talking about. In fact, the range is  
17 all the way from zero to up 16 ounces. That's an actual  
18 range, isn't it?

19 A The limit on Standard Mail A is 16 ounces, yes.

20 Q Now, let me ask you this. If you have no data  
21 --you did say that you had no data. Do you recall mean it  
22 when you say you have no data to show that weight by itself  
23 significantly impacts Standard Mail A parcel costs?

24 A I stand by that statement, yes.

25 Q Despite the fact that, in the past, in the

1 present, and in the future, the post office proposes to  
2 charge more for Standard A heavier pieces than lighter  
3 pieces?

4 A The rates that the Postal Service charges are not  
5 a part of my testimony. There is also a factor of weight  
6 proxying for other characteristics such as changes in shape.

7 Q But you're not innocent of the knowledge that, in  
8 fact, a -- an eight-ounce parcel costs more than a  
9 four-ounce parcel. You know that, don't you?

10 A No, I do not know that.

11 Q Do you know that an eight-ounce parcel has to pay  
12 more postal revenue than a four-ounce parcel?

13 A Yes, I know that.

14 Q And is this just mere whimsy on the part of the  
15 postal office in saying, well, we'll charge it even though  
16 it doesn't -- even though we don't have any data to prove  
17 that it costs more, we're just going to do it? Do you  
18 really think they did that?

19 A I can't speak for what the Postal Service's rate  
20 and their pound rate.

21 THE REPORTER: I can't speak for what?

22 THE WITNESS: I can't speak for the Postal  
23 Service's rate structure.

24 BY MR. MAY:

25 Q So, you would have no explanation, then, even

1     though you're a proponent of a -- of a rate increase in this  
2     case, but you have no explanation, then, for why the post  
3     office should be charging 50 percent more for an eight-ounce  
4     parcel than it does for a four-ounce parcel? You have no  
5     explanation for that?

6           A     I did not say that.

7           Q     Well, what is the explanation, then, if you know?

8           A     I don't know -- I don't know the -- I don't know,  
9     but I didn't -- I'm also not saying that I have no  
10    explanation or believe there is no data to support that.

11          Q     Okay.

12                   Now, in that same response, you emphasized the  
13    fact that the cost difference between flats and parcels, as  
14    shown in this case, which you and I have agreed, in round  
15    numbers, is 40 cents, is almost twice as high as the  
16    difference that was present just three or four months before  
17    in docket MC97-2. You do emphasize that, right, that  
18    answer?

19          A     That is stated in my response, yes.

20          Q     Does it not seem odd to you that, in the space of  
21    one year, the cost differentials would double?

22          A     That does not seem particularly odd to me given  
23    the volume of parcels in the ECR subclass and the potential  
24    change in mix or just the fact that, because the volume was  
25    lower, there will be more variability.

1 I'd like to point out that, yes, while it's  
2 approximately four times the proposed surcharge now, it was  
3 approximately twice the proposed surcharge back in MC97-2.

4 Q You don't find anything strange about that at all,  
5 that just in one -- from one year to the next you'd have a  
6 change like that?

7 Do you know of any other data in the postal  
8 system, cost data, where you had those kinds of changes from  
9 one year to the next in the absence of a -- of a  
10 dramatically changed cost allocation system such as you're  
11 proposing in this case?

12 A Actually, I am aware of other categories. Let me  
13 point out one reason, potentially, why this might happen.

14 ECR is 7.2 percent of the bulk Standard Mail A  
15 parcel volume. Standard Mail A parcels are 1.4 percent of  
16 Standard Mail A volume, including letters and flats.

17 This is a small piece of the very large Standard  
18 Mail A subclass, and you would expect variation because of  
19 lower volumes, and that's common in the Postal Service's  
20 cost data systems.

21 Q I -- I don't suppose you think -- agree that this  
22 rather startling increase would be a result, once again, of  
23 just bad data that you've used in your study?

24 A I would not categorize that. I would not say  
25 that, no.

1 Q Well, if it were bad data, that -- that is a -- an  
2 explanation for why this phenomena could occur, isn't it?

3 A If you're talking, hypothetically, could bad --

4 Q Of course, yes.

5 A -- data contribute to changes in results,  
6 hypothetically, any bad data could contribute to any changes  
7 in results, yes.

8 Q Now, if you will examine your response to Record  
9 Industry question 1-D, in that answer you justify the  
10 averaging of all Standard A subclasses and rate categories  
11 to determine your cost difference between flats and  
12 non-flats by stating that, quote, "the unadjusted base year  
13 parcel flat cost difference is almost three-and-a-half times  
14 the proposed surcharge for the subclass with the smallest  
15 cost difference."

16 Would you please explain just which subclass that  
17 is and please cite to the source of the data that confirms  
18 your answer?

19 A I believe, if you go to my Exhibit K --

20 Q Uh-huh.

21 A -- in my direct testimony, table 3-B-1 --

22 Q Yes.

23 A -- bulk Standard Mail A regular -- I just  
24 calculated a difference there of 33.1 cents.

25 Q Yes.

1 Well -- and the standard mail bulk regular in your  
2 previous study was what?

3 A I'm sorry. I don't --

4 Q I'm sorry.

5 A I don't recall.

6 Q Yes.

7 Well, I mean, is 33.1 cents three-and-a-half times  
8 the surcharge? That's what you meant, is that -- when you  
9 say --

10 A I said almost three-and-a-half times.

11 Q Okay. And that's what you meant, 33 cents.

12 A A 35-cent cost<sup>difference</sup> would be exactly three-and-a-half  
13 times the proposed surcharge.

14 Q You did -- did you calculate the differences for  
15 the other -- like ECR, the non -- and the non-profit  
16 categories, also?

17 A Yes.

18 Q Is it the -- isn't it the case that the regular  
19 rate class has the least amount of differential in cost?

20 A The results of Exhibit K in my testimony suggest  
21 that that is the case, yes.

22 Q Doesn't that answer, by the way, that in effect  
23 that the cost difference is so significantly greater than  
24 the surcharge that that is a defense for averaging, doesn't  
25 that answer gloss over the fact that by combining four

1       disparate categories you tend to obscure the fact that  
2       perhaps a different level of surcharge should be charged to  
3       each one of those separate categories based on the relative  
4       degree of cost difference, still summing out to the revenue  
5       neutral result?

6           A       The level of the surcharge would be addressed by  
7       the pricing witness. That is not in my testimony.

8           Q       Okay -- and that is Mr. Moeller?

9           A       Yes, it is.

10          Q       Well, I'll tell him tomorrow that you said to ask  
11       him.

12                    Just a few questions about weight in this  
13       category.

14                    If you would direct your attention to your  
15       response to Parcel Shippers' Question 5, specifically Part  
16       E, there you were asked why you had made no attempt in this  
17       docket to address the cost differential for the influence of  
18       weight, since your previously-filed testimony had stated  
19       that, "Weight also has an impact on the parcel/flat cost  
20       differential."

21                    Your response was that you had not previously  
22       filed such testimony but rather you believed that your  
23       strongest statement relating to that said that, "It could  
24       have an impact on cost as well."

25                    Let me refresh your recollection by quoting to you

1 exactly from your filed testimony. It says, "Though shape  
2 is the focus of my analysis of attributable cost differences  
3 within Standard Mail A nonletters, depth of sort, degree of  
4 dropped shipment, and weight each could have an impact as  
5 well. Fortunately, I discovered during my analysis that  
6 within Standard Mail A parcels and flats weigh very nearly  
7 the same within the carrier route category and I could thus  
8 isolate the cost driving effect of shape as opposed to  
9 weight within that category."

10 The citation to that is page 9 of your filed  
11 testimony, MC97-2 at page 7.

12 Please explain why you thought that it was  
13 fortunate just a few months before that you could "isolate  
14 the cost driving effect of shape as opposed to weight" but  
15 evidently find it of no use to do so in this proceeding  
16 since you have manifestly not done so.

17 A I think I addressed that in my response to  
18 NDMS-26, which I think we just talked about.

19 Q Well, I mean we went through that. You said you  
20 had no data to prove that cost had an effect but I just  
21 quoted --

22 A Yes, but I also presented the results of the  
23 weight equivalent analysis.

24 If the weight equivalent analysis still produces a  
25 large cost difference, then I would suggest that there is no

1 reason per se to make an adjustment for any potential  
2 effects of weight on cost if a weight equivalent analysis  
3 produces similarly large cost differences.

4 Q Well, that is a big if. I mean have you done  
5 that?

6 A I'm sorry -- have I done what?

7 Q Have you done the weight equivalence study to  
8 demonstrate to us that indeed weight doesn't make any  
9 difference for the reasons that you think it might?

10 Have you done those studies?

11 A If you go to Table 3(A)(1) --

12 Q Yes?

13 A -- that lists the results of the cost difference  
14 in enhanced carrier route between flats and parcels in a  
15 category that I believe actually flats are minutely heavier,  
16 although I would need to check that --

17 Q They are?

18 A So that analysis is in Exhibit K of my direct  
19 testimony.

20 Q No, I understand, and in your previous testimony,  
21 in the parcel case, which was filed just months before this,  
22 you said it was fortunate -- fortunate -- that you were able  
23 to not have to deal with the effects of weight because you  
24 had isolated the fact that between -- in the enhanced  
25 carrier route category there was an equivalence of weight

1 for parcels and flats so you could focus entirely on shape.

2 My question is why have you abandoned that  
3 approach of focusing entirely upon equivalent weight of  
4 parcels and flats and now in this case have dumped them all  
5 together and now you are talking about all flats and all  
6 parcels where there is a wide range of weights and where by  
7 your own data the parcels weight more than twice the flats?

8 A I wouldn't say I have abandoned that approach.

9 Actually, NDMS-26 I exactly say I completely  
10 believe in both the logic and validly of the carrier route  
11 approach that I used in Docket Number MC97-2, and that data  
12 is still available in this docket.

13 I don't believe I have abandoned that.

14 Q Well, you haven't abandoned that, but you have  
15 also at the same time failed to account for the influence of  
16 weight on everything outside the ECR category, isn't that  
17 the case?

18 A I wouldn't categorize my treatment that way, no.

19 Q Well, tell us then how you have accounted for  
20 weight in your comparison?

21 A I have not made any adjustment for weight in the  
22 analysis that includes all four subclasses, one of the  
23 reasons being that the rate equivalent analysis produces  
24 similarly large cost differences.

25 Q You mean in ECR, in the ECR category?

1 A Yes.

2 Q But isn't that an apples-and-oranges situation? I  
3 mean, you are comparing ECR flats and parcels with all of  
4 the rest of the world, despite the fact that ECR parcels and  
5 flats are an infinitesimal fraction of the whole? Isn't  
6 that the case?

7 A I wouldn't call them an infinitesimal fraction.

8 Q What would you call a volume that small? What  
9 would be your name for it?

10 A It's a relatively low proportion of standard mail  
11 A parcel volume.

12 Q I will accept that. But the great, overwhelming,  
13 vast proportion of these parcels do not have  
14 weight -- parcels and flats do not have weight equivalence;  
15 isn't that the case?

16 A Yes. The larger volume, there is not -- the  
17 weights are not equal.

18 Q Let me move along. As you look at your  
19 PSA -- answer to PSA-5-D --

20 A I'm sorry, what was the letter?

21 Q PSA-5-D. You were asked to supply the revenues  
22 per piece separately for standard A parcels and flats for  
23 the test year, since you had been able to supply the  
24 estimated test year cost differences per piece, I take it by  
25 extrapolating from FY '96 costs. So this question said,

1 well, you have given us the test year cost estimate, give us  
2 the test year revenues per piece for a standard A parcel and  
3 for a standard A flat.

4 Your answer was that the methodology would not  
5 apply to revenues. "Test year revenue per piece figures are  
6 not calculated at this level of detail." You went on to say  
7 that the data supplied in this docket "does not include such  
8 estimates because they are not required."

9 Please explain why you believe such data are not  
10 required.

11 A I'm probably not the best person to speak of the  
12 requirements, the revenue requirements for the Postal  
13 Service, but it is my understanding that that data is only  
14 required by subclass and not by shape.

15 Q Well, if you don't know how much the revenue per  
16 piece is going to be for the parcels and flats separately,  
17 then how do you know that the revenues that are going to be  
18 earned on a parcel in the test year are not an amount  
19 greater than the revenue to be earned by a flat in the test  
20 year, an amount greater, that is, equal to the alleged and  
21 extrapolated cost differences between parcels and flats in  
22 the test year? How do you know?

23 A Revenue is not in any way in my testimony.

24 Q The point is you don't know, do you?

25 A I personally do not know.

1 Q Well, let me just give you a hypothetical. If the  
2 standard parcel was going to earn 40 cents more revenue than  
3 the average flat was going to earn and there is a 40-cent  
4 cost difference between parcels and flats, would you have  
5 still proposed a 10-cent surcharge on flats -- on parcels?

6 A I did not propose a 10-cent surcharge. All I did  
7 was the cost study. It was Mr. Moeller who did the 10-cent  
8 surcharge.

9 Q Mr. Moeller did that. So I should ask him. You  
10 are not an advocate for the surcharge; you are simply saying  
11 there is a cost difference?

12 A My testimony shows the cost difference between  
13 parcels and flats in standard mail A.

14 Q But you have also testified that one of the  
15 reliefs you have and that you are not concerned about the  
16 averaging you have done is because the surcharge is only  
17 one-fourth of the cost difference. So you are aware that  
18 your --

19 A Absolutely.

20 Q -- position is to support a surcharge?

21 A Yes.

22 Q And I am just asking you whether or not you, and  
23 if you don't know I suppose we will ask somebody else, are  
24 aware of whether or not you need a surcharge in order to  
25 cover the costs of these parcels bearing in mind the amount

1 of revenue they are liable to yield. You don't know; is  
2 that right?

3 A I do not know in the test year, that's correct.

4 MR. MAY: That's all I have, Mr. Chairman.

5 CHAIRMAN GLEIMAN: Thank you, Mr. May.

6 Nashua District?

7 Mr. Olson, can I ask you to give me a rough  
8 guesstimate on how long you might go? Because we could take  
9 a break now. It's almost that time.

10 MR. OLSON: Probably 15 minutes but I can't be  
11 sure.

12 CHAIRMAN GLEIMAN: Let's press ahead. I won't  
13 hold you to the 15 and we will see how far we go. It would  
14 be good to get a little bit further along before we break.

15 CROSS EXAMINATION

16 BY MR. OLSON:

17 Q Mr. Crum, my name is William Olson, representing  
18 Nashua District Mystic Seattle, and I'd like to ask you to  
19 turn to page 10 of your testimony to begin.

20 A Okay.

21 Q I'm trying to get the right revised page 10. I  
22 think I have it.

23 There on lines 12, 13, and 14 you say that your  
24 testimony distinguishes costs on the basis of shape by  
25 showing the additional shape-based cost differences within

1 nonletters between flats and parcels; correct?

2 A Yes.

3 Q And then on page 12 of your testimony beginning at  
4 line 5 you have a section discussing as to how you control  
5 for the greater drop shipment and the greater presort which  
6 is found in standard A flats as opposed to standard A  
7 residual; correct?

8 A Yes.

9 Q Okay. And you reference Table 7 of Exhibit K for  
10 those costs. Let me ask you this. Is that where the  
11 cost-avoidance data appears then, in Table 7?

12 A Yes.

13 Q Okay. Now if you'd turn to that table and the --  
14 what's labeled as (2) Cost avoidance dollars per pound LR  
15 H-111, is that where the cost avoidance of drop shipping is  
16 factored into Table 7?

17 A Yes.

18 Q Does that table show that a piece which is entered  
19 in an SCF has an 11-cent-a-pound cost avoidance roughly?

20 A It's 11.05 cents.

21 Q Okay. Now does that 11.05 cents cost avoidance  
22 reflect mail processing cost or transportation costs or  
23 both?

24 A I believe that reflects both.

25 Q Do you know?

1           A     Barring me ~~for~~ having forgotten something in the  
2 last two weeks, yes, I would say I know. Or if this is --  
3 if in some way Library Reference 111 has changed in between  
4 when I used this data and now.

5           Q     Okay, 111 is the drop ship cost avoidance study;  
6 correct?

7           A     Yes.

8           Q     Do you know what witness has that study, sponsors  
9 that study? Do you?

10          A     No, I do not know which witness sponsors that  
11 study?

12          Q     Okay. Do you sponsor it?

13          A     No, I do not.

14          Q     Okay.

15                CHAIRMAN GLEIMAN: Counsel, can we find out --  
16 Postal Service counsel -- can we find out who's responsible  
17 for that study and --

18                MR. REITER: We'll let you know.

19                CHAIRMAN GLEIMAN: Who might be willing to sponsor  
20 it if it becomes necessary?

21                MR. REITER: We'll let you know.

22                CHAIRMAN GLEIMAN: Thank you.

23                BY MR. OLSON:

24           Q     You are somewhat familiar with that study, I take  
25 it, having taken these numbers from it; correct?

1           A     Yes.

2           Q     Okay. Do you know if that particular study in  
3     developing these numbers distinguished between whether the  
4     pieces were letters, flats, or parcels?

5           A     I believe it did not distinguish those costs by  
6     shape between flats and parcels.

7           Q     So the 11-cent savings of destination entry at an  
8     SCF is an amalgam of letters, flats, and parcels; correct?

9           A     That is my understanding.

10          Q     Okay. And your use of that number in developing  
11     your costs reflects your implicit assumption, I take it,  
12     that the cost avoidance caused by drop shipping of letters,  
13     flats, and parcels is the same.

14          A     That's the implicit assumption I had to make to  
15     make this conservative adjustment to my cost difference.

16          Q     Is that a good assumption?

17          A     Given the data that was available, I believe that  
18     it was proper to make this adjustment. That was the only  
19     data I had available to make this adjustment, so I'm very  
20     happy with my choice of doing that. Would there have been  
21     cost avoidance available by shape, I would have used that.  
22     That is not available, to my understanding.

23          Q     Do you have any reason to believe that cost  
24     avoidance is uniform across letters, flats, and parcels? Do  
25     you believe it's uniform?

1           A     I haven't fully thought through that issue, to be  
2 honest with you.

3           Q     Okay.

4                     Do you have your response to NDMS-21?

5           A     Yes, I do.

6           Q     Okay.

7                     In part B, you're talking about mail processing  
8 costs and how they vary, and you say cubic volume is one  
9 characteristic that the Postal Service has identified as  
10 important in mail processing and other costs for parcels in  
11 particular, correct?

12          A     Yes.

13          Q     Okay.

14                     Does that indicate that, if letters, flats, and  
15 parcels had a different density, that that would, in fact,  
16 reflect different costs of handling letters, flats, and  
17 parcels?

18          A     Yes, I believe that's true.

19          Q     Okay. And indeed, isn't that the way you build up  
20 the costs -- I'm not talking about, now, costs avoided but  
21 -- but the costs of distinguishing between letters, flats,  
22 and parcels in your study.

23          A     Cubic volume of the pieces is one of the  
24 considerations in the study, yes.

25          Q     So, the fact that parcels has less density is a

1 factor you consider in developing the costs incurred, shall  
2 we say, by those parcels, correct?

3 A Yes, that is one of the factors considered.

4 Q But then, when you take a look at the costs  
5 avoided by those very same parcels, you make the assumption  
6 that density changes are of no relevance and letters, flats,  
7 and parcels have equal cost avoidance, correct?

8 A Given that that is the -- how the data is  
9 available for the drop-ship information, that was really the  
10 only choice that I believed I had at the time, yes, or now.

11 Q Okay. The choice was either to use the data which  
12 you knew weren't directly applicable or use nothing,  
13 correct?

14 A I wouldn't characterize it as not directly  
15 applicable, but yes, the option was either to use that data  
16 from the drop-ship library reference or not to make a  
17 conservative adjustment that I felt compelled to make.

18 Q Do you think it's fair and reasonable to take into  
19 consideration the increased costs that you say that parcels  
20 have because of their -- their -- their lesser density when  
21 you determine costs incurred and yet overlook those  
22 differences when you determine costs avoided?

23 A I don't believe there was another option in this  
24 case.

25 Q Well, I didn't ask you if there was another

1 option. I asked you if it was fair and reasonable.

2 A Given that making any adjustment at all was a  
3 conservative step, under that auspices, I would say that,  
4 yes, that -- that I won't say there's anything unfair about  
5 what I did.

6 Q Okay.

7 But you say it's a conservative step, I take it,  
8 if you are supporting a uniform discount -- in other words,  
9 a discount that applies irrespective of the point of entry  
10 of the mailer into the system, correct?

11 A I would say it's a conservative step because it  
12 lowers the stated cost difference between flats and parcels  
13 in Standard Mail A.

14 Q Okay. But -- let me ask you this. Had you ever  
15 been asked to develop the costs, the additional costs of  
16 parcels that you allege exist for parcels that are entered  
17 at SCFs or DDUs or anywhere else along the line, or are you  
18 simply dealing with averages?

19 A That has not been broken out -- that is not broken  
20 out in my testimony.

21 Q Were you asked to do that?

22 A No.

23 Q Did you try to do it?

24 A No.

25 Q So, you were, in other words, asked to provide a

1 cost study that would support a uniform parcel surcharge  
2 irrespective of place of entry of the piece.

3 A I was asked to look into the cost differences  
4 between flats -- within non-letters between flats and  
5 parcels in Standard Mail A.

6 Q Do you believe that drop-shipping a four-ounce  
7 standard flat -- strike that. Do you believe that  
8 drop-shipping a four-ounce Standard A parcel into an SCF  
9 avoids the same costs as drop-shipping a Standard A letter  
10 into that same SCF?

11 A I'm sorry. As compared to what?

12 Q A Standard A letter versus a parcel. In other  
13 words, if you're calculating the costs avoided by  
14 drop-shipping into an SCF and one piece is a letter and one  
15 piece is a parcel, I'm asking you if you have a -- a view as  
16 to which causes more cost avoidance.

17 A Are you comparing that to no drop-shipping? Is  
18 that your benchmark? I'm trying to see where you're  
19 comparing -- I have to compare the drop-shipped with  
20 something else.

21 Q I'm asking you to compare drop-shipping of two  
22 different-shaped pieces --

23 A Right.

24 Q -- a letter and a parcel. Okay?

25 So, if you're determining cost avoidance by

1 drop-shipping a letter into an SCF or a parcel into an SCF,  
2 there is a savings, there is a number associated with letter  
3 cost savings and the parcel cost savings. I'm asking you to  
4 compare them.

5 A But I have to -- I have to know what -- how else  
6 would it be entered to get a cost avoided? What am I  
7 avoiding the cost of?

8 Q Oh, instead of -- instead of the average.

9 A Okay.

10 Q Which is what you did in <sup>Exhibit</sup> K, correct? Or what  
11 library reference LR-111 attempts to do, correct?

12 A I believe LR-111 takes it off of -- compares it to  
13 no drop-ship.

14 Q Okay. Make that comparison for me, would you?

15 A I'm sorry. Could you rephrase the second half of  
16 the question? I don't mean to --

17 Q Sure.

18 You said you needed to know -- comparing SCF entry  
19 versus something else. I'll say now -- be consistent with  
20 LR-111 and say no destination entry, and I want to know  
21 whether you believe the costs avoided are the same for a  
22 Standard A letter and a Standard A flat -- a Standard A  
23 parcel, excuse me, comparing --

24 A Are the cost -- are the cost avoidances different  
25 or the same for the four-ounce letter for -- versus a

1 four-ounce parcel, for example?

2 Q Exactly.

3 A I believe that, potentially -- I'd have to think  
4 about this more -- I don't know for certain, but I would  
5 guess, perhaps, that a parcel might avoid more costs based  
6 on the issues that we've just discussed. I can't definitely  
7 say that, but --

8 Q So, you're not sure if mail processing and  
9 transportation costs are higher for a letter or a parcel.

10 A No, I'm not saying that.

11 Q Well, you're saying that, if you're looking at it  
12 from a cost avoidance standpoint, that you can't tell me  
13 whether -- for sure whether a Standard A four-ounce --  
14 excuse me -- you can't tell me whether drop-shipping a -- a  
15 same-weight Standard A parcel and letter avoids the same  
16 costs.

17 A I guess the issue here is that's breaking out my  
18 testimony into sub-categories that I have not specifically  
19 looked at.

20 If you take the general approach of my testimony  
21 and assume that those same basic cost differences are  
22 applicable to the transportation segments and the mail  
23 processing segments involved between no <sup>and DSCF dropship</sup> ~~entry~~, it would  
24 suggest that, yes, drop-shipping a parcel versus no entry  
25 versus drop-shipping a letter versus no entry, that the

1 parcel would save more, but I cannot conclusively say that,  
2 because it's breaking out my testimony into sub-segments  
3 that I have not specifically reviewed. But applying the  
4 logic, the answer would be yes.

5 Q Could you look at your response to <sup>A/DMS</sup>~~Nashua~~ 19?

6 A Okay.

7 Q In part B, I think your fourth sentence says,  
8 "Because the purpose of my analysis is to support a simple,  
9 conservative surcharge, I did not need to develop costs  
10 separately by presort level," correct?

11 A Yes, you have accurately stated that.

12 Q If you had developed costs separately by presort  
13 level, would that have helped us understand the different  
14 costs associated with drop shipping letters versus parcels,  
15 for example?

16 A I don't necessarily believe so.

17 Q You don't think there is a correlation between  
18 presortation and drop shipment?

19 A I didn't say there was no correlation.

20 Q What is --

21 A But they are independent work sharing options.

22 Q Right.

23 Could you look at your response to 21, Nashua  
24 District Mystic Seattle 21.

25 A Okay.

1           Q     I'm sorry, I can't seem to locate my own copy of  
2     it.  But isn't that the one where you said that  
3     machinability is not an important characteristic in  
4     distinguishing between standard A parcels with low unit  
5     costs and standard A parcels with high unit costs, something  
6     to that effect?

7           A     That adequately paraphrases my answer, yes.

8           Q     Why is machinability not important in  
9     distinguishing between parcels with low and high unit costs?

10          A     For standard mail A parcels, pieces weighing  
11     between zero and eight ounces are defined as nonmachinable,  
12     except six ounces if it's square.  Machinable parcels, on  
13     the other hand then, are defined as between eight and 16  
14     ounces.  Piece distribution costs -- the piece distribution  
15     cost portion of mail processing costs are potentially  
16     impacted by this difference between machinability or  
17     nonmachinability of the piece.

18                     On the other hand, nonpiece distribution costs,  
19     such as loading, moving, dumping and unloading, are more  
20     impacted by cubic volume.  Now, weight is a very imperfect  
21     proxy for cubic volume but it can be used.  So as the piece  
22     increases in weight, it on average generally approximately  
23     increases in cubic volume so it goes up from, say, zero to  
24     six to eight to 16 ounces.  So as cubic volume generally  
25     increases, it causes an increase in these nonpiece

1 distribution costs.

2 Mail processing costs are approximately a  
3 relatively equal proportion of these nonpiece distribution  
4 costs and piece distribution costs. So we can't make any  
5 clear conclusions of the impact of machinability on standard  
6 mail A parcel costs because it is a combination of the piece  
7 distribution which are geared on the machinability, again,  
8 the machinability being the heavier pieces and the nonpiece  
9 distribution costs which we believe are based more on the  
10 cubic volume of the piece. And those pieces would increase  
11 starting at the lower weight increment such that the lower  
12 weight pieces proxying for cube would be less expensive.

13 Q It sounds like you were ready for that question.

14 I have to say I have no idea what you said but it  
15 is not a reflection on how well you said it.

16 Is there a short answer to that question such as,  
17 we don't use machines to process standard A parcels?

18 A No.

19 Q Is there any other short answer you could give me?  
20 I will have to go back and read the transcript.

21 A I guess the shorter answer is there are competing  
22 factors. There are a variety of factors which impact mail  
23 processing costs for standard mail A parcels and in the  
24 particular case of below 16-ounce parcels, they operate in  
25 opposing cost driving ways such that you can't make any

1 clear definition based on machinability.

2 For example, in parcel post, they operate in  
3 advancing ways such that the largest pieces have the largest  
4 cubic volume and can't run on the parcel sorting  
5 ~~machine~~ <sup>machine</sup> maintenance. For standard mail A parcels, it kind of works  
6 in the opposite, such that the heavier proportion of  
7 standard mail A parcels can indeed be sorted on the machines  
8 whereas the smaller pieces cannot be sorted on the machines,  
9 the smaller and lighter pieces can't.

10 Q Does that mean it is of no consequence to the  
11 Postal Service as to whether people present machinable or  
12 nonmachinable parcels for standard A?

13 A I wouldn't say that.

14 Q If there are no cost distinctions --

15 A I am talking, on average, the pieces -- there are  
16 reasons, there are characteristics that cause machinability.  
17 We would want -- again, I don't want to speak for the Postal  
18 Service about what they would want. I think I have  
19 described the cost drivers as they relate to standard mail A  
20 parcels.

21 Q So are you saying that if you were to take a look  
22 at machinable parcels versus non-machinable parcels, you are  
23 not sure which would be lower cost?

24 A For Standard Mail A, yes, that's the case.

25 MR. OLSON: Thank you, Mr. Chairman.

1 CHAIRMAN GLEIMAN: You were almost true to your  
2 word, just a couple minutes more than 15.

3 We are going to take a 10-minute break at this  
4 point and when we come back, Mr. Wiggins, we will be ready  
5 for the Recording Industry Association of America.

6 Thank you.

7 [Recess.]

8 CHAIRMAN GLEIMAN: Mr. Wiggins, fire away.

9 MR. WIGGINS: Thank you, Mr. Chairman.

10 CROSS EXAMINATION

11 BY MR. WIGGINS:

12 Q Mr. Crum, I am Frank Wiggins, here for the  
13 Recording Industry Association of America.

14 You talked with Mr. May some about the evolution  
15 of the proposal for a small parcel surcharge between MC97-2  
16 and this case.

17 There is one element to it that you did not touch  
18 on I think, and that is the definition of the mail pieces  
19 that would be subject to the surcharge.

20 Are you aware that there has been a change in that  
21 definition?

22 A No, I am not aware of that.

23 Q Let me read the two of them to you and perhaps you  
24 can tell me that I am over-reading. In <sup>MC</sup>97-2 this definition  
25 was proposed: "Regular subclass mail is subject to a

1 surcharge if it is not letter-card- or flat shaped."

2 In the present case those elements are still at  
3 play, but here is a definition: "Regular subclass mail is  
4 subject to a surcharge if it is prepared as a parcel or if  
5 it is not letter or flat shaped."

6 So far as you are aware, is the new inclusion of  
7 preparation as a parcel a proposive act on the part of the  
8 Postal Service? Is that intended?

9 A I really don't have any comment on that.

10 I am not familiar with perhaps the difference of  
11 language. Perhaps that would better be asked of the pricing  
12 witness.

13 Q Did your studies as they evolved from 97-2 to the  
14 current case take into account that mail pieces prepared as  
15 parcels should be counted as parcels for costing and volume  
16 purposes?

17 A I made no changes between MC97-2 and ~~our~~ R97-1  
18 based on any issue related to that.

19 Q In your response to NDMS Number 3 -- do you have  
20 that handy?

21 A Yes, I do.

22 Q You make reference in Subpart A to DMM Section  
23 C050 --

24 A Yes.

25 Q -- as the governing rule for how mail pieces are

1 going to be characterized as either parcels or something  
2 else? Is my understanding of that right?

3 A Well, postage mailing statements, which is the  
4 source of volumes in my analysis specifically reference the  
5 DMM C050, yes.

6 Q Do you have that document at hand?  
7 If you don't have it --

8 A I have the two pages that I attached to my  
9 response, I believe, if I -- I have two pages from C050.

10 Q C-49 and C-50?

11 A The pages I have here with me are C-47 and C-48  
12 from DMM-51.

13 MR. WIGGINS: Okay, I have 52. If I might, Mr.  
14 Chairman, may I approach the witness?

15 CHAIRMAN GLEIMAN: Certainly. It might be helpful  
16 to both of you and to the rest of us if you could just  
17 mention what the section numbers are, either or both of you  
18 mention what the section numbers are on the pages in  
19 question. They may be the same substantive pages.

20 MR. WIGGINS: Sure.

21 BY MR. WIGGINS:

22 Q And also have in front of you if you would,  
23 please, Mr. Crum, your response to NDMS No. 9F, as in Frank.

24 A Okay.

25 Q You say there, toward the end of what is either a

1 sentence or a paragraph, according to the DMM, flats and  
2 parcels have different preparation requirements. Did you  
3 have a particular part of the DMM in mind when you said  
4 that?

5 A No, I did not have a particular part in mind that  
6 I referenced.

7 Q Well, there's clearly no reference.

8 A I would guess when I scripted that I was looking  
9 at something, but to be honest I don't know what particular  
10 area I was looking to.

11 Q Would you take a quick look at Section C050 of the  
12 DMM which I've just provided to you.

13 A Yes.

14 Q And tell me whether you see preparation  
15 requirements there.

16 A No, I do not.

17 Q And this is a standard, C050, is the standard  
18 employed in differentiation between parcels and all others  
19 for terms of the mailing statement?

20 A For terms of the mailing statement, yes, the  
21 mailing statement specifically references C050, yes.

22 Q And therefore this is what defines parcel volumes  
23 for purposes of your study.

24 A Yes, that's true.

25 Q Okay. And there are no preparation requirements

1 in this section. You just told me that.

2 A I don't -- yes --

3 Q I'm just summing up for you.

4 A I don't see any. Yes. Yes.

5 Q Okay. Good. And what one does see in looking at  
6 C050, Exhibit 2.0, which is a nice little graphic that shows  
7 you the differentiation between letters, flats, and parcels,  
8 is there anything that prohibits a mail piece which is --  
9 two mail pieces which are precisely the same size to be on  
10 the one hand a flat and on the other for some reason a  
11 parcel?

12 A I don't see anything here based on this page that  
13 would say that.

14 Q So that when the systems that were employed to get  
15 the volumes that you used in your study were differentiating  
16 between flats and parcels, how did they tell the difference,  
17 if this is the standard?

18 A How did the acceptance clerk tell the difference  
19 on the mailing statement or --

20 Q If all one is looking at in making out the mailing  
21 statement is this section of the DMM, and I believe that's  
22 what you told me --

23 A Okay. No, I said the mailing statement  
24 specifically references C050. I assume that the people  
25 whose job it is to do this who get, again, as I said before,

1 get the 120 hours of training in acceptance, I assume that  
2 they're getting additional training, but the mailing  
3 statement itself specifically references this section of the  
4 Domestic Mail Manual.

5 Q Which permits a flat and a parcel of precisely  
6 identical dimensions; correct?

7 A There does appear to be an overlap between flats  
8 and parcels to make the situation that you suggest possible,  
9 but I -- subject to me thinking about that, I think you're  
10 correct.

11 Q You told Mr. May that you employed PCR-38 from the  
12 parcel classification case as the single device by which you  
13 determine the density of parcels. Did I hear that right?

14 A The bulk parcel characteristics study supplied  
15 in -- supplied as one segment of PCR-38 is the source of the  
16 density of standard mail A parcels currently in Exhibit K in  
17 my testimony; yes.

18 Q It was Exhibit C or Attachment C to that study?

19 A That sounds right; yes.

20 Q Yes. Have a look at a portion of your answer  
21 to -- or actually the attachment to your answer to RAA No.  
22 5. Through a series of interrogatories that we put to you  
23 in the MC-97-2 case --

24 A Yes.

25 Q Particularly look at page 1 -- page 1 of

1 Attachment 1 to your answer to our Interrogatory 4.

2 A I believe I ~~am~~<sup>have the</sup> right sheet.

3 Q Okay. It's a sheet that has by weight increments  
4 the described by content --

5 A Yes. Yes.

6 Q -- volumes of mail --

7 A Yes.

8 Q -- so that if one looks, for example, at the first  
9 column, which is CD boxes, you can see that there were not  
10 of them at -- in the one-ounce increment, there were 1,500  
11 in the two-ounce increment -- are -- are we at the same  
12 place?

13 A Yes.

14 Q Okay.

15 A Yes.

16 Q Good.

17 It seemed to me a little bit odd that one had  
18 volume at every ounce increment, except the one-ounce  
19 increment, for a CD box, because it seemed to me that they  
20 would likely be more uniform in weight than that and you'd  
21 have little lumps of -- of -- of weight.

22 You'd have one for a CD box with one CD, you'd  
23 have another for a CD box with two CDs, etcetera. You  
24 wouldn't have such continuity? Did that occur to you when  
25 you looked at this --

1 A Yes.

2 Q -- these data?

3 A As a matter of fact, particularly we thought that  
4 was -- I thought -- I thought that was odd that there were  
5 so many pieces in the three weight ounce increment, and I --  
6 back at my cubicle, I have a desk full of single CDs, two  
7 CDs, all the grouping of CDs that are mailed, so that seemed  
8 very odd to me.

9 Q Did you weigh those?

10 A At that point -- yes, I weighed them, measured  
11 them. I have done this just as -- I have a -- I have all  
12 these back at my desk. So, that appeared odd to me that  
13 there would be that many pieces.

14 At that point, I investigated into the study, and  
15 it turned out that, when people -- that when the individuals  
16 at the Postal Service who were participating in the study --  
17 they interpreted CD box to mean -- I'm sure everybody in  
18 this room has probably gotten the America-On-Line things  
19 mailed out to them, and this was very -- this was happening  
20 very frequently back in April of 1996, and it turns out that  
21 not only CD boxes as in recordings, you know, CDs as in, you  
22 know, music CD, for example, a lot of data in this was  
23 incorporated from American-On-Line mailing out sample CDs to  
24 customers with the intent of them subscribing to their  
25 service.

1 Q And that, in your mind, was an adequate  
2 explanation for the array of data on that sheet?

3 A Yes.

4 Q Do you know what the definition of parcel was for  
5 various of the cost studies that you employed in order to  
6 create your table 3 of Exhibit K?

7 A Yes.

8 Q Can you tell me?

9 A Okay. I believe I've answered that question. I  
10 believe NDMS-3-A fully responds to that as far as the  
11 definition of a parcel that was used in the various data  
12 systems that we used to differentiate parcels from flats.

13 Q Okay. So, it's the IOCS operating instructions?

14 A Yes.

15 Q You have those as an attachment to your answer  
16 there?

17 A Yes, I do.

18 Q Can you look those over for me, those -- those  
19 instructions, please, just for -- don't worry about the  
20 rural -- and tell me whether there, in those instructions,  
21 there is any reference to mail preparation or what I think  
22 you referred to with Mr. May as makeup, mail makeup?

23 A From the four pages that I extracted from the IOCS  
24 handbook, I see nothing that talks about mail makeup.

25 Q Indeed, though they use more words, these

1 instructions are really entirely consistent with the little  
2 graphics that I showed you in DMM-C-050, are they not?

3 A Yes, they are.

4 Q And under these instructions, as under C-050, one  
5 could have a flat of -- or a parcel of precisely the same  
6 dimensions of a flat.

7 A Yes. The dimensions of a parcel and a flat  
8 overlap as described here.

9 Q And there's nothing in there that tells you how to  
10 distinguish between a parcel and a flat, is there?

11 A I believe the understanding is that anything not  
12 previously defined as a letter or a flat then becomes a  
13 parcel.

14 Q Well, but we've just said that the definition in  
15 that piece permits a parcel to be absolutely within the  
16 defining characteristics of a flat.

17 A Right.

18 Q Didn't we just say that?

19 A Yes. There are different -- parcels, as I define  
20 them, are not exactly as they are defined here.

21 Q Well, whether one --

22 A Parcels as I define them are anything in the  
23 categories of IPP machinable, IPP non-machinable, parcel  
24 machinable, or parcel outside.

25 Q Well, but in -- at least in some of those

1 categories, not in all of them, one could have a thing  
2 defined by those instructions as a parcel that would also  
3 perfectly fit the C-050 definition of a flat. That's --  
4 that's my question.

5 A In some of those categories -- for example, for  
6 machinable parcel, it specifically excludes, for example,  
7 flat-shaped pieces, but I do not see that, for example,  
8 under IPP machinable.

9 Q Precisely.

10 So, my question again -- and it's the same  
11 question in an only slightly different environment as I  
12 asked you with regard to the volume studies -- how did your  
13 cost studies know when to characterize something that was in  
14 that borderline, that could be characterized, under the  
15 rules, as either a parcel or a flat? How did your cost  
16 studies know what to call it?

17 A You're talking about the pieces that could be  
18 called parcels, as defined here --

19 Q That under --

20 A -- or flats, as defined --

21 Q Exactly. Precisely.

22 A Again, my understanding as to how this works is  
23 that pieces that are defined as letters were called letters,  
24 pieces defined as flats are called flats, anything else is  
25 defined as a -- one of these other four categories.

1 Q Okay. But in doing, for example, library  
2 reference 146, which begat library reference 106, which was  
3 incorporated into library reference 108, now Exhibit K to  
4 your testimony --

5 A Yes.

6 Q -- do you know -- sounds biblical, almost, doesn't  
7 it?

8 Do you know how whoever was making the  
9 classifications of, on the one hand, parcels and, on the  
10 other hand, flats made that distinction?

11 A I'm sorry. Could you just repeat the last part of  
12 that?

13 Q Sure.

14 Somebody, in making the study in 146, broke  
15 non-letters out into parcels and flats, correct?

16 A Yes.

17 Q And I'm asking you, for the mail pieces that,  
18 under the definitions we've looked at, could be --

19 A Yes.

20 Q -- treated as either --

21 A Yes.

22 Q -- how did they decide which was which?

23 A Library reference 146, which is, again, kind of  
24 the four steps removed, they based that on the IOCS shape  
25 tally, which refers to this handbook F-45.

1 Q Okay.

2 So, there could have been counted as parcels under  
3 the definition there -- there could have been counted some  
4 pieces which also perfectly qualify as flats.

5 A An individual tally-taker certainly could have, in  
6 an instance, picked the improper shape designation for the  
7 reasons you suggest.

8 Q So that with regard both to your projection or  
9 calculation, because it's historical, of the relative  
10 volumes of flats and parcels and in application to your  
11 calculation of the costs associated with those volumes,  
12 there may have been some mixing and matching.

13 There may be flats in the -- in the parcel  
14 population, there may be parcels in the flat population. Is  
15 that -- is that fair?

16 A As in any study involving -- involving as much  
17 data as these did, yes, there is always the potential for a  
18 miscategorization, again when you're taking that many  
19 samples of data.

20 Q Thank you.

21 Have a look, please, at RIAA's number two to you,  
22 where -- where you explain to us first -- do you have that?  
23 -- where you --

24 A Yes, I do.

25 Q -- where you explain to us first that 72.16

1 percent of the bulk rate -- bulk regular other parcels are  
2 machinable and you got that from library reference 38, from  
3 MC97-2?

4 A Yes.

5 Q Can you tell me where in the -- in that document  
6 you found that number, or let me suggest where you found  
7 that number.

8 You summed -- you cite to it, but you summed --  
9 under the shape and machinability segment of table C-2, you  
10 summed IPP machinable bulk rate regular other and parcel  
11 machinable bulk regular other?

12 A Yes. I don't have library reference PCR-38 with  
13 me here at the table.

14 Q Okay. Well, the -- the number 72.16 doesn't show  
15 up there, but if you add the two numbers that I just had  
16 reference to you, you get that number.

17 A Okay.

18 Q I just want to confirm that that's how you did it.

19 A Yes.

20 Q Okay.

21 You then go on to say that even though there is a  
22 substantial population -- 72.16 percent of -- of the mail  
23 pieces eligible -- eligible for bar-coding because they are  
24 machinable, you -- you give, then, a number of reasons that  
25 you don't think the actual bar-coded population, were a

1 discount allowed, would be that great? Is that a fair  
2 summation of the remainder of your --

3 A Yes, the subset of that 72.16 percent.

4 Q Right. And I think I understood each of the three  
5 reasons that you invoke -- I'm not saying I agree with them,  
6 but I understand them -- except the last, and it reads,  
7 "Third, it is my understanding that Standard Mail A parcels  
8 are sorted in a variety of different ways and may not always  
9 be sorted on the BMC parcel sorting machine for reasons  
10 other than DMM defined machinability."

11 Could -- could you expand on that a little bit for  
12 me?

13 A I think basically what I was trying to get across  
14 there is, in my many travels through different postal mail  
15 sorting facilities, I have both seen parcels being sorted  
16 manually that, to my understanding, met the requirements of  
17 a machinable parcel and ~~get~~<sup>yet</sup> -- while, on the other hand, I  
18 have also seen pieces on the BMC parcel sorting machine  
19 that, to my understanding, based on the definitions in the  
20 DMM, would not have been machinable.

21 Q Did you make any --

22 A I can't -- I can't -- I did not do a study of  
23 this.

24 There are obviously 983 million of these, and the  
25 fact that I happened to see at least one example counter in

1 both directions -- I can't say if that's representative or  
2 perhaps that's the one in 983 million where that occurred,  
3 but I was trying to get that point across.

4 Q Sure. Okay.

5 If you could put NDMS number six in front of you,  
6 please.

7 A Okay.

8 Q You there explain why it is that -- and I'm  
9 reading now from the tag end of your answer -- several of  
10 these files -- and these are the electronically stored files  
11 backing up 108 --

12 A Yes.

13 Q -- several of these files will not be accessible  
14 through standard PC word processing or spreadsheet software  
15 programs.

16 A Okay. Yes.

17 Q Can you tell me whether any of the data or  
18 calculations which were integral to the final presentation  
19 that you have in tables 1, 2, and 3 of 108 fit that  
20 description, they were inaccessible to those technological  
21 troglodytes like me who can't do anything beyond a  
22 spreadsheet and even have trouble with that?

23 A Well, it's been about 10 years since I have  
24 programmed in FORTRAN, so hopefully I'm not putting myself  
25 in that category, also. The results that I use and have

1 understand -- the programmers that ran the base-level data  
2 programs produced those.

3 None of the data that I used either in writing my  
4 testimony or that I use that -- or that I used <sup>as</sup> ~~on~~ available~~s~~  
5 in tables 1, 2, and 3 -- none of that data is such that that  
6 described. It's a level below that --

7 Q Okay.

8 A -- where you're taking, you know, the tallies  
9 across the country and combining them --

10 Q Yes.

11 A -- into higher levels of data.

12 Q Okay.

13 A So, I believe I've answered your question now.

14 Q Oh, you absolutely did.

15 You talked a little bit with Mr. May about the  
16 --when talking about the variations in cost of -- of parcels  
17 measured between <sup>MC</sup> '97-2 and this case -- you suggested that  
18 one possible explanation for variations of that magnitude  
19 was that we were dealing with small numbers and that small  
20 numbers tend to have more volatility than larger and  
21 definitionally more stable databases. Do I have that right?

22 A Yes.

23 Q And isn't it also right, though, that when you  
24 have small volumes of that kind and you look at two  
25 different snapshots in time and you get two rather markedly

1 different numbers, there isn't any way to know which one of  
2 those numbers is more likely representative of the real  
3 world?

4 A I would say that's true, and that's why we looked  
5 at data between 1993 and 1996, and in each of those, there  
6 was a large cost difference such that the variation, say, is  
7 between a -- and I don't remember the numbers exactly. I  
8 could certainly check them, if you would like.

9 Say, for example, the cost difference varied  
10 between 25 and 40 cents. Given that the surcharge is only  
11 10 cents, I did not view this as a particular problem.

12 Q You didn't formally make that analysis in this  
13 presentation; you did that in 97-2. Isn't that correct?

14 A Yes, but I believe that I was asked to provide  
15 data back from 1993, unless I don't remember the  
16 interrogatory exactly.

17 Q I think perhaps you were asked to provide the  
18 data, but you have no testimony on -- on --

19 A On --

20 Q -- having performed that analysis here.

21 A That is not in my testimony, that's true.

22 MR. WIGGINS: Mr. Chairman, I have nothing  
23 further, and I apologize for doing this, but with your  
24 permission, I'd like to be excused.

25 CHAIRMAN GLEIMAN: I don't think you need my

1 permission to be excused from the room, Mr. Wiggins, but  
2 we'll miss your presence.

3 MR. WIGGINS: Thank you.

4 CHAIRMAN GLEIMAN: Mr. McKeever, United Parcel  
5 Service? Somebody said the other day that we had certain  
6 powers from the bench. I did not know that that was one of  
7 them.

8 [Laughter.]

9 If only I had known these past 3-1/2 years, no  
10 telling what would have happened in here.

11 Mr. McKeever.

12 MR. MCKEEVER: Thank you, Mr. Chairman.

13 CROSS EXAMINATION

14 BY MR. MCKEEVER:

15 Q Good morning, Mr. Crum.

16 A Good morning.

17 Q The data in Library Reference 106, Mr. Crum, is  
18 that data that is collected as part of the Postal Service's  
19 regular routine costing and data collection systems?

20 A Yes, I believe so.

21 Q Library Reference H-144, does that library  
22 reference use only data that is taken from the Postal  
23 Service's regular data reporting systems?

24 A Let me just confirm that.

25 Yes, with the understanding that it includes the

1 Postal Service's new MODS-based cost pool approach such that  
2 this would have been the first public airing of that data.

3 Q But even though this is the first public airing,  
4 that data has been collected for some time as part of the  
5 Postal Service's routine data collection systems? Is that  
6 what you're saying?

7 A I'm really not prepared to answer questions on 106  
8 to that level of detail.

9 Q No, I was focusing on H-144.

10 A Oh, I'm sorry, on 144.

11 Q Okay.

12 A I'm sorry, could you -- perhaps I confused those  
13 two questions. I'm sorry.

14 Q Okay. Let me start over again. And that may be  
15 because I did switch library references on you.

16 Let's start with H-144.

17 A Okay.

18 Q Now, does that use only data that is taken from  
19 the Postal Service's regular data reporting systems?

20 A Depending on how exactly we define it, the answer  
21 would be yes. It's a little confusing because of the new  
22 breakdown of those standardly collected data and providing  
23 them in a slightly different format, but basically the  
24 answer is yes.

25 Q Okay. The way I understand your answer is that

1 the data is routinely collected, but it's broken down in a  
2 different way now in that library reference.

3 A Yes.

4 Q Okay. In your Exhibit USPS-30-B, as in boy, page  
5 1, you cite a library reference from R-94-1, Library  
6 Reference G-156.

7 A I'm sorry, where are you referring to?

8 Q Exhibit USPS-30-B, I believe. Let me check it.

9 A I don't believe that's one of mine.

10 Q I mean 28-B, excuse me. Yes, I meant 28-B, I'm  
11 sorry.

12 A I'm sorry, I'm not following here.

13 COMMISSIONER LeBLANC: Mr. McKeever, is that UPS?

14 MR. McKEEVER: No, USPS.

15 THE WITNESS: My exhibits are lettered, they  
16 aren't numbered.

17 BY MR. McKEEVER:

18 Q Okay. I'm adding the 28 because most witnesses  
19 do, and I apologize. It's my fault. Just look at your  
20 Exhibit B, as in boy.

21 A Okay. Yes.

22 Q Okay. Page 1.

23 A Yes.

24 Q You there cite a library reference from R-94-1; is  
25 that correct? It's Library Reference G-157.

1 A Yes.

2 Q And you cite that as the source for the proportion  
3 of Parcel Post pound volume that is plant loaded?

4 A Yes.

5 Q Do you know if that library reference was a  
6 special study or whether it was data that was routinely  
7 collected from the Postal Service?

8 A I do not know.

9 Q Okay. One that same exhibit you cite testimony  
10 from Docket R-90-1 for the proportion of plant-loaded mail  
11 that is plant-loaded to BMCs; is that correct?

12 A Yes.

13 Q The R-90-1 data is from Mr. Acheson's testimony in  
14 that case?

15 A Yes, I believe so.

16 Q Do you know whether Mr. Acheson in turn cites a  
17 library reference in that case, F-301, as the source of that  
18 data?

19 A I don't remember that specifically, but that could  
20 very well be the case.

21 Q Do you know if that was a special study or whether  
22 it was data from a routine data collection system of the  
23 Postal Service?

24 A I don't remember; no.

25 Q Mr. Crum, could you turn to page five of your

1 testimony, please?

2 A Okay.

3 Q There you state, beginning at around line four,  
4 that your DSCF cost savings are based on the assumption that  
5 mailers who drop-ship to DSCFs will, on average, have 10  
6 pieces of machinable pieces per sack per five-digit zip code  
7 area. Is that correct?

8 A Yes, I do.

9 Q And you state on page six that the estimated mail  
10 processing savings of 31.3 cents per piece that you  
11 calculate is sensitive to this assumption of 10 machinable  
12 pieces per five-digit sack. Is that right?

13 A No, that's not right. I believe you have -- there  
14 was errata filed that believe -- corrected that number to  
15 31.4.

16 Q Okay. Well, with that change, then, let me  
17 restate it.

18 Your testimony now states that the estimated mail  
19 processing savings of 31.4 cents per piece is sensitive to  
20 the assumption of 10 machinable pieces per five-digit sack.  
21 Is that right?

22 A Yes. Yes.

23 Q So that if mailers brought in sacks with an  
24 average of five pieces per sack instead of 10, that would  
25 reduce the costs avoided by DSCF drop-shipments. Is that

1 correct?

2 A Yes.

3 Q Okay.

4 Now, did you also change in your revisions to your  
5 testimony the numbers contained on line one of page six?

6 A I only have the new versions. I believe that also  
7 changed by a tenth of a cent. The two numbers I have there  
8 are 28.2 cents and 74.2 cents.

9 Q Okay.

10 The 28.2 cents is one-tenth of a cent larger than  
11 in your previous testimony, and the other number matches  
12 your previous testimony.

13 A Yes, that sounds correct.

14 Q Did you change -- the number on line eight, I  
15 believe, remained the same, that the 22.4 cents savings you  
16 cite there -- do you know if that's correct? Well, I'll  
17 withdraw that.

18 The number in your present testimony is that, if a  
19 mailer were to bring in -- drop-ship machinable parcels and  
20 the average per sack was five machinable parcels per sack,  
21 the cost savings would be 22.4 cents. Is that correct?

22 A Yes, that's what I've said here, yes.

23 Q Okay.

24 So, the difference between your assumption of 10  
25 pieces per sack and an example of five pieces per sack for

1 machinable parcels is approximately six cents. Is that  
2 correct? In your cost savings.

3 A That's approximately correct.

4 Q 6.2 cents, to be exact. Is that right? Or 5.8, I  
5 should say. I took the two tenths the wrong way.

6 A I'm sorry. Were you just talking about the  
7 machinable segment or the combined --

8 Q I'm comparing -- no, I'm -- I'm comparing the two  
9 machinable calculations of 28.2 cents --

10 A Versus 22.4.

11 Q Right. The 28 --

12 A So, it would be slightly under six cents --

13 Q Right.

14 A -- 5.8 cents.

15 Q Right.

16 So, your estimated savings based on 10 pieces per  
17 sack for machinable of 28.2 cents would fall by 5.8 cents to  
18 22.4 cents. Is that correct?

19 A If I would have changed my assumptions to five  
20 pieces per sack for machinable parcels.

21 Q Correct.

22 A Yes.

23 Q Okay.

24 The figure you use of 10 pieces per sack is not  
25 based on any study, is it?

1 A No, it's not based on any study.

2 Q Mr. Crum, in coming up with your estimated DSCF  
3 cost savings, you do use some data that you take from Ms.  
4 Daniels' cost calculations. Is that correct?

5 A Yes.

6 Q Do you know, Mr. Crum, whether DBMC parcels are,  
7 on average, larger in terms of cube than other parcel post  
8 parcels?

9 A It's my understanding that, based on library  
10 reference 135, that, yes, DBMC parcels are larger, on  
11 average, than non-DBMC parcels.

12 Q Okay. And the bigger in cube parcels are, the  
13 fewer will fit in a sack. Is that correct?

14 A Yes, that's true.

15 Q Mr. Crum, you also base you DSCF cost savings on  
16 the assumption that the mailer, not Postal Service  
17 personnel, will unload the vehicle. Is that correct?

18 A Yes.

19 Q Now, you changed an answer to one of your  
20 interrogatories, I believe, your response to  
21 UPS/USPS-T-28-14.

22 A Yes, I did.

23 Q And specifically, you changed your response to  
24 section C of that interrogatory. Is that correct?

25 A Yes, I did.

1           Q     And the original answer stated -- and I'm quoting  
2 here from the interrogatory answer that was filed previously  
3 -- "Mailers will be required to unload their properly  
4 prepared DSCF pieces to qualify for the DSCF rate."

5                     Your new answer states -- and I'm quoting -- "My  
6 cost analysis assumes that mailers will unload their  
7 properly prepared DSCF pieces."

8                     Why did you make that change?

9           A     If I remember correctly, the reason for that  
10 change was it was pointed out to me that it's not my place  
11 to say what will be required of the discount, it's my place  
12 to do a cost analysis to say what the results of that would  
13 give.

14                     It's not my role to say what the Postal Service's  
15 policy will be for DSCF and the -- my response to 28(c) --  
16 or to -- to 14(c) could be interpreted as such, and that's  
17 why I changed it.

18           Q     Mr. Crum, have you seen the Postal Service's  
19 answer to interrogatory UPS/USPS-T-37-72, which refers to a  
20 placard that was posted in a -- in the southern Maryland  
21 P&DC as of September 4, 1997?

22           A     I have not seen that response. I have never --  
23 you saying this is the first time I have heard about this.

24                     MR. McKEEVER: Okay.

25                     Mr. Chairman, I have some copies of that response.

1 May I furnish a copy to the witness?

2 CHAIRMAN GLEIMAN: Certainly.

3 BY MR. MCKEEVER:

4 Q Could you take a look at that interrogatory, Mr.  
5 Crum, and let me know when you finish reading it?

6 A I assume you mean the attachment to the  
7 interrogatory, yes.

8 Q I will ask you one question about the attachment,  
9 yes. Actually, I will direct your attention to section four  
10 of that attachment. That's the only area in which I will  
11 have a question.

12 A Okay. Yes, I've read that.

13 Q Now, in response to that interrogatory, Mr. Crum,  
14 the Postal Service supplied a poster or a placard that, as I  
15 mentioned, was posted on the dock of the southern Maryland  
16 P&DC on a visit there taken on September 4, 1997. Could you  
17 please read into the record section four of that placard?

18 A With the understanding that, yes, all I'm doing is  
19 reading the placard that you gave me.

20 Q Yes.

21 A For unload drop-shipment mail, the driver is  
22 responsible for unloading all shipments at delivery units.  
23 At BMC, ASF, SCF, drivers will unload bed-loaded mail with  
24 postal assistance, and postal personnel will unload  
25 containers and pallets, unloading to be completed within the

1 following delivery times. Delivery unit, one hour; BMC,  
2 ASF, SCF, pallets, six or less, two hours;  
3 containers/pallets, four hours; bed-loads, eight hours.

4 Q So, that placard indicates that BMCs, ASFs, and  
5 SCFs, at least, drivers will unload bed-loaded mail --  
6 drivers being mailers. Is that correct? Is that how you  
7 read it?

8 A That's how I read this, yes.

9 Q Mailers will unload bed-loaded mail -- bed-loaded  
10 mail with postal assistance and postal personnel will unload  
11 containers and pallets. Is that correct?

12 A Those are exactly the words I just read, yes.

13 Q Thank you.

14 Could you turn to your answer to UPS/USPS-T-28-40,  
15 please? There you state that to be consistent with your  
16 costing approach in estimating destination delivery unit  
17 cost savings, mailers using sacks not only will need to  
18 unload the sacks from their vehicles but will also have to  
19 dump the parcels out of the sacks; is that correct?

20 A Yes, that is what I say here. Yes.

21 MR. McKEEVER: That's all I have, Mr. Chairman.

22 CHAIRMAN GLEIMAN: That brings us to followup. Is  
23 there any followup?

24 There doesn't appear to be any followup.

25 Are there any questions from the bench?

1                   There don't appear to be any questions from the  
2 bench.

3                   Mr. Reiter, would you like some time with your  
4 witness?

5                   MR. REITER: I would appreciate that.

6                   CHAIRMAN GLEIMAN: Ten minutes?

7                   MR. REITER: That'll be fine.

8                   CHAIRMAN GLEIMAN: All right, we'll come back in  
9 10 minutes for redirect.

10                   [Recess.]

11                   CHAIRMAN GLEIMAN: Counsel, are you ready?

12                   MR. REITER: We've decided that less is better.  
13 There will be no redirect, Mr. Chairman.

14                   CHAIRMAN GLEIMAN: And none is best?

15                   MR. REITER: That's right.

16                   CHAIRMAN GLEIMAN: Thank you.

17                   No redirect, so there's no recross.

18                   So we can all go to lunch and come back at 1:30,  
19 and we'll pick up at that point with Witness Daniel.

20                   Thank you all.

21                   [Whereupon, at 12:15 p.m., the hearing was  
22 recessed, to reconvene at 1:30 p.m., this same day.]

23

24

25

## AFTERNOON SESSION

[1:30 p.m.]

1  
2  
3 CHAIRMAN GLEIMAN: Mr. Alverno, if you would like  
4 to introduce your witness?

5 MR. ALVERNO: Mr. Chairman, the Postal Service  
6 calls Sharon Daniel.

7 Whereupon,

8 SHARON DANIEL,

9 a witness, was called for examination by counsel for the  
10 United States Postal Service and, having been first duly  
11 sworn, was examined and testified as follows:

12 CHAIRMAN GLEIMAN: Our revised schedule calls for  
13 the presentation of two pieces of testimony by Witness  
14 Daniel, USPS-T-29 and USPS-ST-43. Mr. Alverno, would you  
15 please introduce each of these pieces of testimony  
16 separately? It is my intention to have each piece of  
17 testimony and written cross-examination applicable to the  
18 testimony together in the transcript and then we will have  
19 general cross-examination of the witness on all of that  
20 material.

## DIRECT EXAMINATION

21 BY MR. ALVERNO:

22 Q Please introduce yourself?

23 A My name is Sharon Daniel.

24 Q And where are you employed?

25  
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1           A     I am an operations research analyst in the Product  
2 Cost Studies Division of the U.S. Postal Service.

3           Q     Earlier, you were handed two copies of a document  
4 entitled Direct Testimony of Sharon Daniel on Behalf of the  
5 Postal Service marked as USPS-T-29 and also a copy of the  
6 Supplemental Testimony of Sharon Daniel on behalf of the  
7 U.S. Postal Service marked as USPS-ST-43. And these copies  
8 are now with the reporter.

9                     Have you examined them?

10          A     Yes, I have.

11          Q     And was this testimony prepared by you or under  
12 your direction?

13          A     Yes, it was.

14          Q     And do you have any changes or corrections to make  
15 or note?

16          A     I would note that the errata to my T-29 testimony  
17 is included in the copies with the reporter. There are no  
18 changes to the ST-43.

19          Q     And if you were to testify orally today, would  
20 your testimony be the same?

21          A     Yes, it would.

22                     MR. ALVERNO: Mr. Presiding Officer, I ask that  
23 the Direct Testimony of Sharon Daniel on Behalf of the U.S.  
24 Postal Service marked as USPS-T-29 and also the Supplemental  
25 Testimony of Sharon Daniel on behalf of the U.S. Postal

1 Service marked as USPS-ST-43 be received as evidence at this  
2 time.

3 CHAIRMAN GLEIMAN: I think for purposes of  
4 ensuring that the materials wind up together in the  
5 transcript at the proper place, let's move USPS-T-29 in now  
6 and we will do the designated cross-examination related to  
7 that piece of testimony and then we will come back and put  
8 the second piece of testimony in. Is that acceptable?

9 MR. ALVERNO: So you --

10 CHAIRMAN GLEIMAN: We will have the testimony, the  
11 designated written cross for 29 and then we will have 43,  
12 the two pieces together.

13 MR. ALVERNO: Okay.

14 CHAIRMAN GLEIMAN: And then we will have  
15 cross-examination more generally on both pieces of  
16 testimony.

17 MR. ALVERNO: Okay. We do have different  
18 attorneys working on the different pieces of testimony so I  
19 wonder if we could segregate the two.

20 CHAIRMAN GLEIMAN: I think that is what I just  
21 suggested. I am trying to -- perhaps I missed something or  
22 perhaps you did. Did I not make myself clear or did I  
23 miss -- I was fiddling with my toy up here, so --

24 MR. TIDWELL: In this direction, it may have  
25 sounded like you were going to permit cross-examination

1 generally on both simultaneously.

2 CHAIRMAN GLEIMAN: I think that that is probably a  
3 reasonably expeditious way to approach this. My suspicion  
4 is the same intervenors who want to cross-examine with  
5 respect to 29 are going to want to cross-examine with  
6 respect to 43. I think it would be counterproductive to  
7 divide things up and go through the cross-examination twice.  
8 I suspect we would wind up, more often than not, with one or  
9 another of the Postal Service's co-counsel for this witness  
10 interrupting, and I don't mean that in a pejorative way, to  
11 tell us that, no, that question should be directed a little  
12 bit later on to Ms. Daniel when she is wearing her other  
13 hat.

14 So while it may be a little bit more difficult for  
15 Postal Service co-counsel to keep track, I think it will be  
16 a lot easier for the one, two, three, four, five, six, seven  
17 intervenors who have indicated they want to cross-examine.

18 I am willing to give you a couple of minutes to  
19 talk about this between yourselves and we can go off the  
20 record for a few minutes if you would like.

21 We are off the record for the moment.

22 [Discussion off the record.]

23 CHAIRMAN GLEIMAN: Let's go back on the record.

24 MR. ALVERNO: Mr. Presiding Officer, I ask that  
25 the direct testimony of Sharon Daniel <sup>marked as</sup> ~~Montez~~, USPS-T-29, on

1       behalf of the U.S. Postal Service, be received as evidence  
2       at this time.

3               CHAIRMAN GLEIMAN:  Are there any objections?

4               Mr. Thomas.

5               MR. THOMAS:  As before, Mr. Chairman, I believe  
6       that this testimony contains a lot of hearsay, and for all  
7       of the reasons that have been stated before and we will  
8       clarify in the coming week, I do object to the introduction  
9       of this testimony.

10              CHAIRMAN GLEIMAN:  This morning -- I don't know  
11      whether -- I believe you were here, but you may not have  
12      been here -- I did make a point of saying that we would  
13      accept motions, they would be due --

14              MR. THOMAS:  Right.

15              CHAIRMAN GLEIMAN:  -- by next Thursday, and then  
16      the parties would have a week beyond that -- I think the  
17      date is to the 23rd -- to respond, and then we'll make a  
18      ruling on all the various and sundry objections that have  
19      been raised.

20              But once again, I want to point out that we have  
21      an interesting situation here.  We have a Catch-22 that has  
22      developed or that -- and I -- I don't, again, mean this in a  
23      pejorative sense.  I understand counsel are trying to the  
24      best that they can on behalf of their clients.  But we have  
25      testimony that makes reference to library references,

1 library references aren't in evidence, people object to  
2 those library references being put in evidence, and then  
3 they also object to the testimony being admitted into  
4 evidence because it's based on library references that  
5 aren't in evidence, and you can't have it both ways.

6 We're either, before it's all over, going to have  
7 no record or have a fairly complete record, one that's  
8 perhaps more complete than any of us would have liked at the  
9 outset of this little bit of activity, shall we say.

10 All right.

11 Your -- your objection has been noted.

12 I reserved your rights and everyone else's rights  
13 this morning, as I said a moment ago, and if there are no  
14 other objections, then I'm going to move Ms. Daniels'  
15 testimony and exhibits into evidence and that they be  
16 accepted into evidence and, as is our practice, not be  
17 transcribed into the record.

18 [Direct Testimony and Exhibits of  
19 Sharon Daniel, Exhibit No.  
20 USPS-T-29 were marked for  
21 identification and received into  
22 evidence.]

23 CHAIRMAN GLEIMAN: Mr. Alverno, I'll rely on you  
24 to make sure that the court reporter has the appropriate  
25 copy if he does not already.

1 MR. ALVERNO: Yes, he does. I do have one more  
2 item or two more items I'd like to have also received into  
3 evidence at this time. May I proceed?

4 CHAIRMAN GLEIMAN: Yes, sir.

5 BY MR. ALVERNO:

6 Q Ms. Daniel, let me direct your attention to two  
7 documents which have been filed in this case, which are  
8 marked as USPS-LR-H-131 and USPS-LR-H-132. Are you familiar  
9 with these documents?

10 A Yes, I am.

11 Q And what does USPS-LR-H-131 relate to?

12 A Library reference 131 is a BMC study which gives  
13 us information on the containerization or the arrival  
14 profile of Standard B parcels.

15 Q And what does USPS-LR-H-132 relate to?

16 A It is another BMC study which gives us information  
17 about the productivity and an arrival and dispatch profile  
18 at BMCs.

19 Q What was your role in connection with the  
20 preparation of these documents?

21 A I was involved in the planning of the studies, and  
22 I directed the analysis to produce inputs that I use in my  
23 models.

24 Q And do you adopt these documents as your  
25 testimony?

1           A     I do.

2           MR. ALVERNO:  Mr. Presiding Officer, I ask that  
3 documents marked as USPS-LR-H-131 and USPS-LR-H-132, which  
4 have been filed as -- as library references in this docket,  
5 be received into evidence at this time.

6           CHAIRMAN GLEIMAN:  All right.

7           Any objections?

8           Mr. Thomas, your objection -- your standing  
9 objection is noted, and again, I'm going to point out that  
10 here's the Catch-22 that we're dealing with.

11          MR. THOMAS:  I understand.

12          CHAIRMAN GLEIMAN:  This morning I mentioned to  
13 someone as we broke for lunch that it appears to me that the  
14 only way to resolve this dilemma is to have one omnipotent  
15 person at the Postal Service who knows all and has done all  
16 and -- and introduces one piece of testimony that has all of  
17 his or her -- and assuming it's an omnipotent person, it's  
18 going to be a her -- work papers, special studies, and  
19 anything else into the record, and I don't envision that  
20 ever happening, but that's one other way around this problem  
21 that we have.

22          Having said that yet again, Ms. Daniel, we're  
23 going to reserve -- counsel, we're going to reserve the  
24 rights of Mr. Thomas and all other participants, and we're  
25 going to move that -- the two library references, 131 and

1 132, into evidence, and I direct that they be accepted into  
2 evidence, and as is our practice, they will not be  
3 transcribed into the record.

4 [Library References H-131 and  
5 H-132 were received into  
6 evidence.]

7 CHAIRMAN GLEIMAN: And I assume you have provided  
8 copies to the reporter.

9 MR. ALVERNO: We have.

10 CHAIRMAN GLEIMAN: Thank you, sir.

11 Ms. Daniel, have you had an opportunity to examine  
12 the packet of designated written cross examination that was  
13 made available to you earlier today?

14 THE WITNESS: Yes, I have.

15 CHAIRMAN GLEIMAN: If these questions were asked  
16 of you today, would your answers be the same as those you  
17 previously provided in writing?

18 THE WITNESS: They would on two exceptions. I  
19 pulled the APWU-1 interrogatory. That was answered by the  
20 Postal Service.

21 COMMISSIONER LeBLANC: Would you pull your mike a  
22 little closer, please?

23 THE WITNESS: The APWU interrogatory was answered  
24 by the Postal Service, not me, so I've removed that.

25 And there was an extraneous attachment in DMA-1

1 that got slipped in before my signature page. I have  
2 removed that. That is not my testimony.

3 MR. ALVERNO: I am not responsible for that one.

4 THE WITNESS: Also in that packet, I -- I added  
5 some missing pages and removed -- removed duplicate pages.

6 CHAIRMAN GLEIMAN: Well, with the amount of paper  
7 that flies around, there is little question in my mind that  
8 that's not the only occasion where some piece of paper has  
9 gotten into or not gotten into the place that it ought to  
10 be.

11 Mr. Alverno, have you given two corrected copies  
12 of the packages to the reporter?

13 MR. ALVERNO: We have.

14 CHAIRMAN GLEIMAN: That having been done, I'm  
15 going to direct that the designated -- the corrected  
16 designated written cross examination be accepted into  
17 evidence and transcribed into the record at this point.

18 [Designation of Written  
19 Cross-Examination of Sharon Daniel  
20 was received into evidence and  
21 transcribed into the record.]

22

23

24

25

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 1997

Docket No. R97-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS SHARON DANIEL  
(USPS-T-29)

The parties listed below have designated answers to interrogatories directed to witness Daniel as written cross-examination.

<u>Party</u>	<u>Answer To Interrogatories</u>	
Alliance of Nonprofit Mailers	ANM\USPS:	Interrogatories T29-19-32.
American Bankers Association Edison Electric Institute and National Association of Presort Mailers	ABA&EEI&NAPM\USPS:	Interrogatories T29-1, 4, 6, 9, 12-14.
	ANM\USPS:	Interrogatories T29-10.
	MASA\USPS:	Interrogatories T29-1.
	MMA\USPS:	Interrogatories T29-1.
	NAA\USPS:	Interrogatories T29-2-3, 7 and 9.
	VP-CW\USPS:	Interrogatories T29-4.
	POIR:	POIR No.1 Question 8 (answered by Daniel).
	POIR:	POIR No. 3 Question 2 (answered by Daniel in part).
	POIR:	POIR No.3 Question 20 (answered by Daniel).
Direct Marketing Association	DMA\USPS:	Interrogatories T29-1.
Florida Gift Fruit Shippers Association	UPS\USPS:	Interrogatories T29-1-4 14-16, 19-20.
Mail Advertising Service Association International	MASA\USPS:	Interrogatories T29-1, 3-4 and 5-6.
	ANM\USPS:	Interrogatories T29-10, 14.
Major Mailers Association	MMA\USPS:	Interrogatories T29-1-4.
	OCA\USPS:	Interrogatories T29-10.

	MASA\USPS:	Interrogatories T29-4.
Nashua Photo Inc., District Photo Inc. Mystic Color Lab and Seattle Filmworks Inc.	NDMS\USPS:	Interrogatories T29-1-3.
	ANM\USPS:	Interrogatories T29-10, 14, 19 and 30.
	DMA\USPS:	Interrogatories T29-1.
	MASA\USPS:	Interrogatories T29-3-4
	MMA\USPS:	Interrogatories T29-1.
	NAA\USPS:	Interrogatories T29-6, 8.
Newspaper Association of America	NAA\USPS:	Interrogatories T29-1-9.
	NAA\USPS:	Interrogatories T4-6. redirected from witness Moden.
	MASA\USPS:	Interrogatories T29-3, 5 and 6.
	OCA\USPS:	Interrogatories T29-4.
	VP-CW\USPS:	Interrogatories T29-1-4.
Office of the Consumer Advocate	OCA\USPS:	Interrogatories T29-1-5 and 8-10.
	ABA&EEI&NAPM\USPS:	Interrogatories T29- 1-2, 4.b., 6-10 and 12-14.
	ANM\USPS:	Interrogatories T29-1-32.
	APWU\USPS:	Interrogatories T29-1.
	DMA\USPS:	Interrogatories T29-1.
	MASA\USPS:	Interrogatories T29-1.a. d., and e. and 3-6.
	MMA\USPS:	Interrogatories T29-1-9.
	NAA\USPS:	Interrogatories T29-1-9.
	NAA\USPS:	Interrogatories T4-6, redirected from witness Moden.
	NDMS\USPS:	Interrogatories T29-1-3.
	NFN\USPS:	Interrogatories T29-1-4.
	UPS\USPS:	Interrogatories T29-1-10, 12-16 and 18-22.
	VP-CW\USPS:	Interrogatories T29-2.b and 3-5.
POIR:	POIR No. 1: Question 8.	
POIR:	POIR No. 3: Question 2 (partial) and Question 20.	
Parcel Shippers Association	DMA\USPS:	Interrogatories T29-1.
United Parcel Service	UPS\USPS:	Interrogatories T29-1,4, 6-16 and 18.
	ABA&EEI&NAPM\USPS:	Interrogatories T29-1.
	DMA\USPS:	Interrogatories T29-1.
	OCA\USPS:	Interrogatories T29-8-9.

Party

Answer To Interrogatories

2414

Val-Pak Direct Marketing Systems, Inc.  
Val-Pak Dealers' Association, Inc. and  
Carol Wright Promotions, Inc.

VP-CW\USPS:  
MASA\USPS:  
NAA\USPS:

Interrogatories T29-1-5.  
Interrogatories T29-5-6.  
Interrogatories T4-6,  
redirected from witness  
Moden.

NAA\USPS:

Interrogatories T29-1-5 and  
7.

Respectfully submitted,



Margaret P. Crenshaw  
Secretary

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2415

**ABA&EEI&NAPM/USPS-T-29-1.** You indicate (at 1) that the cost estimates you developed "are designed to capture the different costs associated with various rate categories in order to provide a cost basis for worksharing discounts, such as prebarcoding and presorting." In developing test year volume variable unit mail processing cost estimates for the types of mail identified in your testimony, e.g., Standard (A) Regular, do you attempt to capture the different costs associated with various rate categories due to factors other than prebarcoding and presorting? If so, please identify those factors, explain how you considered them, and quantify the test year unit cost of each such factor.

**RESPONSE:**

My testimony makes no attempt to measure the different costs associated with various rate categories due to factors other than prebarcoding and presorting. I have attempted to control for other factors that may affect the cost avoidances, such as variations in container handlings, by treating various cost pools such as "platform," "1SackS\_h," "1SackS\_m," and all BMC cost pools except "spb", as fixed and not proportional. By adding these costs equally to the modeled costs of the various rate categories, the difference between categories, *i.e.*, the costs avoidances, are unaffected.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2416

**ABA&EEI&NAPM/USPS-T29-2.** Are you responsible for developing any of the cost estimates which appear at Exhibit USPS-29C, page 1 of 6? If so please explain. If not, explain why you are sponsoring this page.

RESPONSE:

I am not responsible for developing any of the cost estimates which appear at Exhibit USPS-29C, page 1 of 6. The purpose of Exhibit USPS-29C page 1 is simply to create a convenient summary of the unit costs for First-Class Mail for citation and reference purposes for the other witnesses.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2417

**ABA&EEI&NAPM/USPS-T-29-4.**

- (a) Explain how the pay premium factors for RR (0.9580) and ECR (0.9590) shown on USPS-T-29, Appendix I at 42, were developed.
- (b) Confirm that use of the pay premium factor serves to reduce the test year volume variable unit mail processing cost estimates you develop for Standard (A) mail. If you do not confirm, please explain.

RESPONSE:

- a. Redirected
- b. Confirmed.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2418

**ABA&EEI&NAPM/USPS-T-29-6.** In your opinion, which mail preparation requirements are more restrictive, i.e., more difficult to achieve to obtain a lower mailing rate,; those applicable to letter-shaped First-Class automation presort, i.e., basic, 3-digit, and 5-digit, or piece rate, letter-shaped Standard (A) automation, i.e., basic, 3-digit, and 5-digit. Please explain your answer.

**RESPONSE:**

I am not an expert in mail preparation requirements; however, I note that, with a few exceptions, many of the requirements for First-Class and Standard (A) letters are the same or similar. See DMM M810.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON 2419  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

**ABA&EEI&NAPM/USPS-T-29-7.** Provide the average weight per piece for the following Standard (A) piece rate letter mail:

- (a) basic presort;
- (b) 3/5 digit presort;
- (c) basic automation;
- (d) 3-digit automation; and
- (e) 5-digit automation;

**RESPONSE:**

The average weight per piece by rate category is available in the Billing Determinants

(USPS LR-H-145).

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2420

**ABA&EEI&NAPM/USPS-T-29-8.** Provide the average weight per piece for the following Enhanced Carrier Route ("ECR") Standard (A) letter mail:

- (a) basic;
- (b) automation basic;
- (c) high density; and
- (d) saturation;

**RESPONSE:**

The average weight per piece by rate category is available in the Billing Determinants (USPS LR-H-145).

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2421

**ABA&EEI&NAPM/USPS-T-29-9.** Identify the mail preparation requirements for the following letter-shaped Standard (A) mail:

- (a) automation basic;
- (b) automation 3-digit;
- (c) automation 5-digit;
- (d) ECR basic
- (e) ECR high density; and
- (f) ECR saturation.

RESPONSE:

I do not profess to be an expert in mail preparation requirements; however, the following sections of the DMM appear to be responsive to this request:

(a)-(c) Regular Automation letters: DMM M810

(d)-(f) ECR letters: DMM M620.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2422

**ABA&EEI&NAPM/USPS-T-29-10.** By presort level, see interrogatory 7, above.:[sic]

(a) identify the first mail processing operation that Standard (A) letter mail could be processed together with mail from another class.

(b) identify each mail processing operation in which Standard (A) letter mail will be processed together with mail from another class. In responding to each subpart, please state all assumptions, if any, and identify by class, subclass, and rate category the mail commingled.

RESPONSE:

(a)-(b) Please see witness Moden's response to ABA&EEI&NAPM/USPS-T25-28

redirected from witness Hatfield.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2423

**ABA&EEI&NAPM/USPS-T-29-12.** Speaking to the mail processing costs of the Bulk Metered FCLM Benchmark at footnote 5 to page 1 of 6 of your Exhibit C you state: "[a]fter the completion of rate design, this number was revised to 10.5814, for a total of 14.7274."

- (a) On what specific date was the rate design completed.
- (b) On what specific date was the mail processing costs for the Bulk Metered FCLM Benchmark revised to 10.5814?
- (c) On what specific date were you aware of a specific revised figure for mail processing costs of the Bulk Metered FCLM Benchmark?
- (d) On what specific date were you aware that the 9.5391¢ mail processing costs for the Bulk Metered FCLM Benchmark would or might be revised?

**RESPONSE:**

- a. I am told that the rate design was completed on or about June 23.
- b. I am told the mail processing costs for the Bulk Metered FCLM Benchmark was revised to 10.5814 on the afternoon of June 30.
- c.-d. I was aware that the 9.5391¢ mail processing costs for the Bulk Metered FCLM Benchmark would or might be revised on the same date that I was given the revised specific figure - June 30.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2424

**ABA&EEI&NAPM/USPS-T-29-13.** At footnote 5 to page 1 of 6 of Exhibit USPS-29C, when noting the revision to the mail processing costs for the Bulk Metered FCLM Benchmark, you cite USPS LR-H-106. Page II-11 of USPS LR-H-106 sets forth a calculation of the uncorrected unit costs for the Bulk Metered FCLM Benchmark of 9.545¢. Page II-10 of USPS LR-H-106 sets forth the corrected unit costs of the Bulk Metered FCLM Benchmark of 10.581¢. Does this corrected figure of 10.581¢ per unit costs reflect a change in the costs since the time when they were measured at 9.545¢, or rather a correction in the measurement methodology? Please explain your answer.

RESPONSE:

See USPS response to APWU/USPS-T29-1.

RESPONSE OF POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION (ABA), EDISON  
ELECTRIC INSTITUTE (EEI), AND NATIONAL ASSOCIATION OF PRESORT  
MAILERS (NAPM)

2425

Revised 10/6/97

**ABA&EEI&NAPM/USPS-T29-14.**

- (a) Please confirm that in your Exhibit USPS-29C, pages 1 and 2, the mail processing unit costs for First Class Automation 3 digit are 4.5477 cents while they are 4.7255 cents for standard class Automation 3 digit.
- (b) Please confirm from the same source that the mail processing unit costs for First Class Automation 5 digit are 3.0265 cents while they are 3.4227 cents for standard class Automation 5 digit.

**RESPONSE:**

- a. The mail processing unit costs for Standard Class Automation 3-Digit in Exhibit USPS-29C, page 2 revised on 10/1/97 is 4.6767 cents.
- b. The mail processing unit costs for Standard Class Automation 5-Digit in Exhibit USPS-29C, page 2 revised on 10/1/97 is 3.3904 cents.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

**ANM/USPS-T29-1.** With reference to Exhibit USPS-T-29C, p. 6, please confirm that note [11] reads as follows: "Column [11] divided by column [2]."

**RESPONSE:**

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2427  
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

**ANM/USPS-T29-2.** With reference to Exhibit USPS-T-29C, p. 6, please explain what number(s) in column [11] is (are) divided by the numbers shown in column [2]. If that is not correct (or impossible), please explain fully the derivation of the numbers shown in column [11].

**RESPONSE:**

Note [11] on page 6 of Exhibit USPS-29C should have read "Column [10] divided by Column [2] multiplied by 100 (to convert to cents)."

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

**ANM/USPS-T29-3.** With reference to Exhibit USPS-T-29C, p. 6, please confirm that the "other" unit costs for nonprofit and nonprofit ECR combined are 0.5537 (cents), as shown in column [11], and explain the derivation of this datum. If you fail to confirm fully, identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Confirmed. The derivation of Nonprofit "other" unit costs (0.5537 cents) is the sum of Nonprofit and Nonprofit ECR total "other" costs in column [10] (62,172 + 11,218) divided by the sum of Nonprofit and Nonprofit ECR volumes in column [2] (10,123,230 + 3,132,000) multiplied by 100 to convert to cents.

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**ANM/USPS-T29-4.** If the "'other' unit costs" for nonprofit and nonprofit ECR combined are 0.5537 (cents), please refer to p. 5 of Exhibit USPS-29C and explain why the "other costs" shown in the table on that page for nonprofit mail are equal to the "other costs" for regular rate mail (0.6562 cents) shown on p.6 and not the "other costs" for nonprofit mail (0.5537 cents). Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Page 5 of Exhibit USPS-29C mistakenly reported "other" costs for Regular categories instead of reporting "other" costs for Nonprofit categories. The figure should be 0.5537 cents.

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**ANM/USPS-T29-5.** In reference to Exhibit USPS-29C, p.5, footnote 6, please confirm that the cost data (27481700 + 16343300) and the volume data (34359010 + 32424240) shown in the right hand side of the equation are the data for regular rate mail shown on p.6 of Exhibit USPS-29C and are not the correct cost or volume data for nonprofit mail. If you fail to confirm fully, identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Confirmed.

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**ANM/USPS-T29-6.** If the cost data (27481700 + 16343300) and the volume data (34359010 + 32424240) shown in the right hand side of the equation are the data for regular rate mail shown on p.6 of Exhibit USPS-29C and are not the correct cost or volume data for nonprofit mail, please supply a copy of p.5 with "other costs" computed using the correct cost and volume data for nonprofit mail.

**RESPONSE**

Footnote 6 on page 5 of Exhibit USPS-29C should have read as follows:

"CRA Before Rates Other =(Total cost-CS3.1 \* piggy-CS6&7\*piggy-CS10\*piggy-CS14)  
costs/volume=(6217200+1121800)/(10123230+3132000)"

The correct "other" costs for Nonprofit categories is 0.5537 cents. A corrected version of the page will be filed.

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**ANM/USPS-T29-7.** Indicate all testimony, including yours and other Postal Service witnesses of which you are aware, where the total unit cost data shown on p.5 of Exhibit USPS-29C are utilized or relied upon.

**RESPONSE**

Witness Moeller is the only person of whom I am aware uses total unit cost data calculated on p.5 of Exhibit USPS-29C; however, witness Moeller used total costs which incorporated the correct Nonprofit "other" costs (instead of Regular "other" costs) in the calculation on WP 2 page 34 entitled "Adjustment to TYAR Costs to Account for Migration." Thus, witness Moeller's testimony is not affected by the above referenced error.

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**ANM/USPS-T29-8.** Please confirm that the unit cost for Standard A Regular Rate Basic Presort letters is estimated to be 14.0657 cents, as shown at p.3 of Exhibit USPS-29C, and the mail processing cost is estimated to be 9.0252 cents and explain any nonconfirmation.

**RESPONSE:**

**The unit cost for Standard A Regular Rate Basic Presort letters is estimated to be 14.1802 cents and the mail processing unit costs is estimated to be 9.1407 cents in Exhibit USPS-29C, page 3 revised on 10/1/97.**

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**ANM/USPS-T29-9.** Please confirm that in Docket No. MC95-1 the unit cost for Standard A Regular Rate Basic Presort letters is estimated to be 17.8552 cents, as shown in USPS-T-12C, p.2 (revised 6/20/95, excludes contingency), and the mail processing cost was estimated to be 13.0067 cents. Explain any nonconfirmation.

**RESPONSE:**

Confirmed.

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**ANM/USPS-T29-10.** Please provide a nontechnical description of the major factors that have resulted in a -18.9 (sic) percent decrease in mail processing costs Standard A Regular Rate Basic between Docket No. MC95-1 and Docket No. R97-1. In your answer, please distinguish between (i) changes in the cost model (e.g., distinguishing between UPGR Trays and NON-OCR Trays), (ii) changes in sources or inputs to cost data (e.g., use of MODS data and estimates of non-modeled costs), and (iii) changes in input data pertaining to the mail itself (e.g., changes in downflow density data). Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Mail processing costs for Standard A Regular Rate Basic decreased, **30.8** percent, from 13.0 cents in Docket No. MC95-1 to **9.1** cents in Docket No. R97-1. The major factors which contribute to the decrease in the mail processing cost for Standard A Regular Basic letters include (1) the decline in the model costs and (2) the smaller adjustment to CRA costs.<sup>1</sup> I address each factor below.

*Model Costs.* The model costs for Regular Basic Presort declined from 8.28 cents in Docket No. MC95-1 to **7.95** cents in this docket, a **4.0** percent decline. Possible explanations for this decline include the fact that the modeling methodology has changed and characteristics of the mail stream changed from 28 percent automation compatible in Docket No. MC95-1 to 53 percent automation compatible in this docket. In Docket No. MC95-1, the mail characteristics study did not provide an estimate of machinability. Therefore, a "snapshot" modeling methodology was employed in Docket No. MC95-1, where the entire Bulk Rate Regular mailstream was modeled in one mailflow. The Commission criticized this approach, because it compared the "idealized" automation models with "actualized" nonautomation models. To respond to the Commission's concerns, in subsequent dockets (MC96-2 and R97-1), machinability percentages were estimated and costs of separate mailstreams were

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<sup>1</sup> Factors such as (i) an increase in the amount of DPS, (ii) higher wage rates, (iii) an increase in the costs per sort on DBCS (despite the 95 volume variability of BCS operations), (iv) an increase in RBCS unit costs, and (v) the elimination of LSMs tend to increase model costs. Other factors, including (i) decreases in manual sorting costs, (ii) decreases in CSBCS costs, and (iii) the rise in automation coverage factors tend to offset these increases.

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estimated using individual "idealized" mailflow models. In Docket No. R97-1, the cost of three mailstreams were weighted together to determine the average cost of Regular Basic Presort. The cost of Basic Presort letters in UPGR Trays were given a weight of 13 percent, the cost of upgradable Basic Presort letters in NON-OCR Trays were given a weight 39 percent, and the cost of nonupgradable Basic Presort letters in NON-OCR Trays were given a weight of 47 percent. Thus, it appears that since MC95-1, the Basic Presort mailstream has become more automation compatible and therefore somewhat less costly.<sup>2</sup>

*CRA Adjustment.* Another reason for the decline in costs is due to smaller CRA adjustments. There is a 22 percent decline in the CRA-reported volume variable mail processing letter costs from test year FY95 of Docket No. MC95-1 of 6.8065 cents to the Docket No. R97-1 test year FY98 cost of 5.3177 cents. However, the average test year modeled costs for all Standard (A) Regular letters (4.33 cents for TY95 and 4.31 cents for TY98), which are used to calculate the overall adjustment, are virtually unchanged. The ratio of average Standard (A) Regular letter mail processing model cost to CRA Standard (A) Regular letter mail processing costs was 1.57 in MC95-1 and is 1.23 in R97-1. Whereas the entire ratio was applied proportionately in MC95-1, a ratio of 1.0526 is applied proportionately in this docket and 0.7726 cents is added as a constant. The different adjustment level accounts for the remaining 25 percent of the decline.

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<sup>2</sup> It is important to keep in mind, however, that keeping the costing methodology and mailstream characteristics constant, model costs have tended to rise. For example, the model costs for the Regular and Nonprofit Automation categories, for which the modeling methodologies are the same and the mailstream is more homogenous, are somewhat higher in this docket than in Docket No. MC95-1.

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**ANM/USPS-T29-11.** Explain why the factors which you discussed in response to the preceding interrogatory did not affect the unit cost for Standard A Nonprofit Basic letters in a similar manner. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

First, it is important to bear in mind that not all Nonprofit categories behaved differently from Regular. As stated in footnote 2 to the response to ANM/USPS-T29-10, model costs for homogeneous categories such as Automation increased for *both* Regular and Nonprofit.

For Nonprofit nonautomation categories, unlike nonautomation Regular categories, the costs increased slightly over the TY in MC96-2. This can be attributed to an increase in model costs for Nonprofit Basic Presort, which rose 44 percent, from 6.4 cents in MC96-2 to 9.2 cents in R97-1. The modeling methodology for Nonprofit is the same in both Dockets MC96-2 and R97-1 (both are "idealized" mail flows). This is not the case in Regular, however, since the modeling methodology for categories in that subclass changed as described in the response to ANM/USPS-T29-10. Therefore, the additional cost increase for Nonprofit is most likely due to the change in the proportion of automation compatible letters in the mailstream. According to the mail characteristics data, the proportion of automation compatible letters in Regular Basic Presort increased since MC95-1, thereby reducing costs for this category, but the proportion of automation compatible letters in Nonprofit Basic Presort decreased since MC96-2, thereby causing costs for this category to increase.

Much of the increase in the model cost for Nonprofit Basic Presort was offset, however, by the smaller CRA adjustment. There is an 18 percent decline in the volume variable mail processing letter costs from test year FY95 of MC96-2 of 5.65 to the Docket No. R97-1 test year FY98 cost of 4.63. However, the average test year modeled costs for all Nonprofit categories (5.08 cents for TY95 and 5.05 cents for TY98), which are used to calculate the overall adjustment, are virtually unchanged. The ratio of average Standard (A) Nonprofit letter mail processing model costs to CRA

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Standard (A) Regular letter mail processing costs was 1.11 in MC96-2 and is **0.92** in R97-1. Whereas the entire ratio was applied proportionately in MC96-2, a ratio of **0.8113** is applied proportionately in this Docket and **0.5342** cent is added as a constant. The different adjustment level tends to mitigate the increases in modeled costs.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2439  
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**ANM/USPS-T29-12.** Please confirm that the unit cost for Standard A Regular Rate 3/5 Presort letters is estimated to be 11.7504 cents, as shown at p.3 of Exhibit USPS-29C, and the mail processing cost is estimated to be 6.7389 cents. Explain any nonconfirmation.

**RESPONSE:**

The unit cost for Standard A Regular Rate 3/5 Presort letters is estimated to be

**11.9212** cents and the mail processing unit costs is estimated to be **6.9107** cents in

Exhibit USPS-29C, page 3 revised on 10/1/97.

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**ANM/USPS-T29-13.** Please confirm that in Docket No. MC95-1 the unit cost for Standard A Regular Rate Basic Presort letters is estimated to be 13.1751 cents, as shown in USPS-T-12C, p.2 (revised 6/20/95, excludes contingency), and the mail processing cost was estimated to be 8.3116 cents. Explain any nonconfirmation.

**RESPONSE:**

Not confirmed. See response to ANM/USPS-T29-8.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2441  
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

Revised 10/6/97

**ANM/USPS-T29-14.** Provide a nontechnical description of the major factors that have resulted in a -18.9 percent decrease in mail processing costs Standard A Regular Rate 3/5-digit letters between Docket No. MC95-1 and Docket No. R97-1. In your answer, please distinguish between (i) changes in the cost model (e.g., distinguishing between UPR Trays and NON-OCR Trays), (ii) changes in sources or inputs to cost data (e.g., use of MODS data and estimates of non-modeled costs), and (iii) changes in input data pertaining to the mail itself (e.g., changes in downflow density data). Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

The decrease in the Standard (A) Regular Rate 3/5 letters cost is due to the same factors discussed in ANM/USPS-T29-10 with respect to Regular Rate Basic letters. The main difference is that the model costs increased by 9 percent, from 5.3 cents in Docket No. MC95-1 to 5.8 cents in Docket No. R97-1. Thus, the change is most likely caused by smaller CRA adjustments.

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**ANM/USPS-T29-15.** Explain why the factors which you discussed in response to the preceding interrogatory (ANM/USPS-T-29-14) did not affect the unit cost for Standard A Nonprofit 3/5-Digit letters in a similar manner. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

Standard (A) Nonprofit 3/5-digit letter mail processing costs increased **5.7** percent, from 5.3 cents in Docket No. MC96-2 to **5.6** cents in Docket No. R97-1. The increase in the Standard (A) Nonprofit 3/5-digit letters cost is due to the same factors discussed in ANM/USPS-T-29-11 with respect to Basic letters. The main difference is that the model costs for Nonprofit 3/5-digit letters increased by a smaller amount, **29** percent, from 4.8 cents in Docket No. MC96-2 to **6.2** cents in this Docket. This increase in model costs was similarly offset by smaller CRA adjustments.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2443  
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

Revised 10/6/97

**ANM/USPS-T29-16.** Among other things, Exhibit USPS-29B, p.1, shows the following:

	Model Weights
Presort Basic UPGR Trays	2.81%
Presort Basic NON-OCR Trays - Upgradable	3.93%
Presort Basic NON-OCR Trays - Non Upgradable	<u>9.48%</u>
 Subtotal	 16.21%

In Docket No. MC96-2, USPS-T-5, Appendix 1, p.5, Section E (Standard Class, Nonprofit, Automation Compatible, Presort Basic and 3/5 Flows), stated that: "The automation compatible unit costs are weighted with the corresponding non-automation compatible unit costs in the same proportion as used in the benchmark model set (65.8% automation compatible and 34.2% non-automation compatible)."

a. For comparing your testimony in this Docket with your testimony in Docket No. MC96-2, please confirm that "UPGR [Upgradable] Trays" are considered automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

b. For comparing your testimony in this Docket with your testimony in Docket No. MC96-2, please confirm that "NON-OCR Trays-Upgradable" are considered automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

c. For comparing your testimony in this Docket with your testimony in Docket No. MC96-2, please confirm that "NON-OCR Trays-Non Upgradable" are considered non-automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

d. Please confirm that in this Docket 41.6 percent of Nonprofit Presort Basic (6.75/16.21) is considered automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

e. Please explain why the share of Nonprofit Presort Basic automation compatible mail declined from 65.8 percent in Docket No. MC96-2 to 41.6 percent in Docket No. R97-1. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.

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c. Confirmed.

d. The model weight for Presort Basic UPGR trays changed to 2.17% and the subtotal changed to 15.57% on USPS-29B, page 1 revised on 10/1/97. Therefore, 39.1% (6.1/15.57) of Nonprofit Presort Basic is considered automation compatible.

e. I do not know why the share of Nonprofit Presort Basic automation compatible mail declined. One explanation could be that automation compatible letters previously entered in the nonautomation categories migrated to the Automation categories, thereby lowering the proportion of automation compatible letters in the nonautomation categories.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2445  
INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS

Revised 10/6/97

ANM/USPS-T29-17. Exhibit USPS-29B, p.1, shows, among other things, the following:

	Model Weights
Presort 3/5 UPGR Trays	2.50%
Presort 3/5 NON-OCR Trays - Upgradable	5.66%
Presort 3/5 NON-OCR Trays - Non Upgradable	<u>13.67%</u>
Subtotal	21.83%

In Docket No. MC96-2, USPS-T-5, Appendix 1, p.5, Section E (Standard Class, Nonprofit, Automation Compatible, Presort Basic and 3/5 Flows), stated that: "The automation compatible unit costs are weighted with the corresponding non-automation compatible unit costs in the same proportion as used in the benchmark model set (65.8% automation compatible and 34.2% non-automation compatible)."

a. Please confirm that in this Docket 37.4 percent of Nonprofit Presort Basic (8.16/21.83) is considered automation compatible and 62.6 percent is non-automation compatible. Please explain any nonconfirmation. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

b. Please explain why the share of Nonprofit Presort Basic automation compatible mail declined from 65.8 percent in Docket No. MC96-2 to 37.4 percent in Docket No. R97-1. Identify all studies, analyses, compilations and other data on which you rely, and produce any such data that the Postal Service has not yet produced in this case.

**RESPONSE:**

**The model weight for Presort 3/5 UPGR trays changed to 3.14% and the subtotal changed to 22.47% on USPS-29B, page 1 revised on 10/1/97.**

a. Not confirmed. Please see the response to ANM/USPS-T29-16(d).

b. The share of automation compatible mail declined from 65.8 to 39.1 for Nonprofit Presort Basic. Please see my response to ANM/USPS-T29-16e.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
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**ANM/USPS-T29-19**

Please refer to Exhibit USPS-29A, p. 1. Please provide a complete and precise citation to the page, table number, column and row in LR-H-105 where each percentage shown in column [6], Model Weights, can be found. If the percentages shown in Column [6] of USPS-29A do not appear in LR-H-105, please compute the percentages showing all data used in the computations, and provide a complete source to each datum used.

**RESPONSE:**

As stated in footnote [6] in Exhibit USPS-29A, the "model weights are percent shares of each rate category based on TY Before Rates Volume Forecast" found on page A-30 of witness Tolley's testimony (USPS-T-6). This forecast shows Regular letters by rate category to be:

	<u>Volume</u>	<u>Percent</u>
Regular Basic Letter	2,012.524	9.64%
Regular 3/5 Presort Letter	2,941.617	14.09%
<i>Nonautomation Subtotal</i>	<i>4,954.141</i>	<i>23.73%</i>
Automation Basic Letter	3,157.221	15.12%
Automation 3-Digit Letter	9,750.408	46.70%
Automation 5-Digit Letter	9,299.383	14.45%
<i>Automation Subtotal</i>	<i>15,924.181</i>	<i>76.27%</i>
<b>Total</b>	<b>20,878.418</b>	

Within the Nonautomation (Presort Rate) categories, the mail characteristics data presented on page 37 of my Appendix I are used to determine the percent of letters in UPRG Trays (15.9%), in NON-OCR Trays - Upgradable (38.1%), and in NON-OCR Trays - Non-upgradable (46.0%). It appears that the percentages of the categories presented in upgradable trays were calculated using the Nonautomation subtotal rather than the subtotal for each presort rate category. The model weights should accordingly be revised as indicated below:

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Presort Basic (UPGR Trays)	<b>1.53%</b>
Presort Basic (NON-OCR Trays - Upgradable)	<b>3.67%</b>
Presort Basic (NON-OCR Trays - Non-upgradable)	<b>4.43%</b>
Regular Basic Letter	<b>9.64%</b>
Presort 3/5 (UPGR Trays)	<b>2.24%</b>
Presort 3/5 (NON-OCR Trays - Upgradable)	<b>5.37%</b>
Presort 3/5 (NON-OCR Trays - Non-upgradable)	<b>6.48%</b>
Regular 3/5 Presort Letter	<b>14.09%</b>

An erratum will be filed later.

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**ANM/USPS-T29-20**

Please refer to Exhibit USPS-29B, page 1. Please provide a complete and precise citation the page, table number, column and row in LR-H-195 where each percentage shown in column [6], Model Weights, can be found. If the percentages shown in Column [6] of USPS-29B do not appear in LR-H-105, please compute the percentages showing all data used in the computations, and provide a complete source to each datum used.

**RESPONSE:**

As stated in footnote [6] on Exhibit USPS-29B, the "model weights are percent shares of each rate category based on TY Before Rates Volume Forecast" found on page A-31 of witness Tolley's testimony (USPS-T-6). This forecast shows Nonprofit letters by rate category to be:

	<u>Volume</u>	<u>Percent</u>
Nonprofit Basic Letter	1,311.851	15.57%
Nonprofit 3/5 Presort Letter	1,892.724	22.47%
<i>Nonautomation Subtotal</i>	<i>3,204.575</i>	<i>38.05%</i>
Automation Basic Letter	1,218.997	14.47%
Automation 3-Digit Letter	2,669.375	31.69%
Automation 5-Digit Letter	1,330.087	15.79%
<i>Automation Subtotal</i>	<i>5,218.459</i>	<i>61.95%</i>
<b>Total</b>	<b>8,423.034</b>	

Within the Nonautomation (Presort Rate) categories, mail characteristic data presented on page 37 of my Appendix III are used to determine the percent of letters in UPGR Trays (14.0%), in NON-OCR Trays - Upgradable (25.2%), and in NON-OCR Trays - Non-upgradable (60.8%). It appears that the percentages of the categories presented in upgradable trays were calculated using the Nonautomation subtotal rather than the subtotal for each presort rate category. The model weights on page 1 of Exhibit USPS-29B should accordingly be revised as follows:

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Presort Basic (UPGR Trays)	<b>2.17%</b>
Presort Basic (NON-OCR Trays - Upgradable)	<b>3.93%</b>
Presort Basic (NON-OCR Trays - Non-upgradable)	<b>9.48%</b>
Regular Basic Letter	<b>15.57%</b>
Presort 3/5 (UPGR Trays)	<b>3.13%</b>
Presort 3/5 (NON-OCR Trays - Upgradable)	<b>5.66%</b>
Presort 3/5 (NON-OCR Trays - Non-upgradable)	<b>13.67%</b>
Regular 3/5 Presort Letter	<b>22.47%</b>

An erratum containing these revisions will be filed later.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2450  
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**ANM/USPS-T29-21**

- a. Please confirm that LR-H-145, G-3 shows the following data for FY 1996 billing determinants for the volume of nonprofit letters (in thousands).

Basic Nonprofit Letters	2,515,689
3/5 digit letters	<u>5,154,124</u>
<b>Total</b>	<b>7,669,813</b>

- b. Please confirm that use of the model weights shown in Exhibit USPS-29B results in the following distribution for the volume of nonprofit letters (subject to rounding error since the model weights sum to 0.9999).

	Volume (000)	Model Weights
Automation Basic	1,109,822	.1447
Automation 3-D	2,430,564	.3169
Automation 5-D	1,211,063	.1579
Presort Basic	1,243,277	.1621
Presort 3/5-D	<u>1,674,320</u>	<u>.2183</u>
<b>Total</b>	<b>7,669,046</b>	<b>.9999</b>

- c. According to the billing determinants in LR-H-145, G-3, the volume of nonprofit 3/5-digit presort letters entered at the 5D Barcode Discount Rate was 1,740,291 thousand, whereas your model weights (derived from LR-H-195) indicate that the volume of Automation 5- Digit letters was only 1,211,063 thousand. Please explain the apparent discrepancy between the billing determinant data in LR-H-145 and the survey data in LR-H-195.

**RESPONSE:**

- a. Confirmed.
- b. **The model weights have been revised as a result of the preceeding interrogatory (ANM/USPS-T29-20). The model weight for Presort Basic is .1557 and for Presort 3/5-D is .2247. When the corrected model weights are multiplied by the total volume of Standard (A) Nonprofit subclass volume shown above, the**

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**resulting volume for distribution is for Presort Basic is 1,194,190 and for Presort 3/5-D is 1,723,407.**

c. The source of the model weights for the rate categories presented in USPS-29B page 1 is the before rates forecast presented in witness Tolley's (USPS-T-6) testimony, not billing determinants or LR-H-195. Witness Tolley's forecast is based on the quarter of billing determinants in which reclassification has been in effect (Q2 97), not the entire year.

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**d. ANM/USPS-T29-22**

Was any effort made by you, by anyone at Christensen Associates, or by anyone else on behalf of the Postal Service to check the results of the survey in LR-H-195 against the billings [sic] determinants in LR-H-145 to ascertain whether any gross disparities existed between these two library refernces [sic]?

- a. If so, explain what checks were made and provide the results of those checks; *i.e.*, were all results of the survey considered to be in general conformity or non-conformity?
- b. If not, please explain why it was considered unnecessary to check the survey results in LR-195 against the billing determinant data in LR-H-145.

**RESPONSE:**

First, it is important to keep in mind that my models use TY volume forecasts, not billing determinants, as model weights. That there is some variance in the levels of the mail characteristics results as compared to the billing determinants should not be unexpected, since the billing determinants for FY 96 are largely composed of shares that predate classification reform, whereas the mail characteristics study was conducted after classification reform was implemented, and therefore more closely resembles the test year environment. Witness Tolley's volume forecast provides detail for much of the volume data needed in the cost models. The mail characteristics study results are used to determine volumes on a more detailed level. As such, the mail characteristics survey results are implicitly used as distribution keys on aggregated volume data. The use of mail characteristics study shares is accordingly reasonable for the purposes of the cost modeling.

As described in LR-H-195, the FY96 volume control is distributed into six separated piece controls: letters and flats by carrier route, automation, and nonautomation based on FY97 PQ2 year-to-date data. This control accounts for the shift to flats from letters and a shift to automation from nonautomation and carrier route. Shares by rate category were not affected by this control. Thus, the shares by rate category may not match the RPW; however, the models use the TY volume forecasts of rate categories instead of shares from the mail characteristics survey.

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**ANM/USPS-T29-23**

In Docket No. MC96-2, the Postal Service estimated that 34.2 percent of all nonprofit letters remaining in 3/5-digit presort category would be a [sic] automation non-compatible. The 34.2 percent figure equated to what estimated volume of letters?

**RESPONSE:**

The forecasted volume of 3/5-Digit Presort letters, according to witness Tolley's MC96-2 testimony (USPS-T-8), was 3,814.601 million. Thus, 34.2 percent of 3,814.601 million is 1,304.594 million letters.

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**ANM/USPS-T29-24**

- a. Did you prepare, or participate in any way in the preparation of, LR-H-195?
- b. Unless your answer to proceeding part a is an unqualified negative, please describe your role in the preparation of LR-H-195.
- c. With respect to LR-H-195, are you sponsoring that study?
- d. Please indicate whether any other witness in this docket is sponsoring LR-H-195.

**RESPONSE:**

- a. Yes.
- b. I was the contracting offer technical representative. I personally supervised the planning and conduct of the survey. I managed, organized, and participated in the training and design of the survey. I observed the collection of data in the field.
- c. It is my understanding that, for purposes of this proceeding, no Postal Service witness is "sponsoring" Library Reference 195 in the sense that the entire document is incorporated into testimony. I have, however, adopted the study's results, and am capable of answering questions about the mail characteristics studies for Standard (A).
- d. N/A

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**ANM/USPS-T29-25**

In Docket No. MC96-2, the testimony of USPS witness Daniel treated 65.8 percent of Standard A Nonprofit Basic and 3/5-Digit Presort letter mail as automation compatible. Was this percentage based on any empirical data? If so, please provide all data that were used to derive those percentages.

**RESPONSE:**

The amount of automation compatible Standard A Nonprofit Basic and 3/5-Digit Presort letters in Docket No. MC96-2 was based on the mail characteristics survey data presented in witness Talmo's testimony (USPS-T-1) in that docket. I described the adjustment to reconcile the differences in the barcoded volume presented in the Mail Characteristics Study versus the PRC's R94-1 volume forecast in my Docket No. MC96-2 testimony (USPS-T-5) at Appendix 1, page 4, footnote 2.

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**ANMIUSPS-T29-26**

According to USPS-29B, 62.6 percent of nonprofit Standard A letter mail entered at the Basic Presort rate, and 58.5 percent entered at the 3/5-Digit Presort Rate, is considered to be "non-upgradable" [sic] for processing on the Postal Service's automation equipment. Please describe all major reasons that precluded nonprofit bulk letter presort mail from being considered upgradable [sic] to automation compatible.

**RESPONSE:**

According to USPS LR-H-195, the major reasons that precluded nonprofit bulk letter presort mail from being considered upgradable, or automation compatible, include failing any of the following:

the length, height, thickness, weight, aspect ratio, and sealing requirements required to be machinable, and/or the absence of a clear OCR read area or barcode clear zone, the absence of a non-script font for the address or use of glossy paper.

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**ANNMSPS-T29-27**

In Docket No. MC96-2, the total model costs for nonprofit Standard A presort and automation mail (*i.e.*, unit costs for each rate category times the volume in each respective rate category) were less than CRA costs. This result was understandable, since the various cost models did not purport to measure the cost of every conceivable activity associated with processing nonprofit bulk mail within P&DCs. In consequence thereof, the model costs had to be adjusted upward to conform to CRA costs. In this docket, however, the total model costs for Nonprofit Standard A presort and automation mail exceed CRA costs, even though the various cost models still do not purport to measure the cost of all activated within P&DCs. At the same time, this anomalous result does not obtain for regular rate mail.

- a. Your testimony at p. 10 describes various factors that differ as between the cost models for regular rate and nonprofit mail. In terms of those factors, please explain each significant reason why your cost models have resulted in total model costs exceeding CRA costs for nonprofit Standard A presort and automation mail.
- b. Please explain whether the underestimation of CRA costs for Standard A Regular Rate Mail, coupled with overestimation of CRA costs for Standard A Nonprofit Mail, indicates some significant inaccuracy in the cost model.

**RESPONSE:**

- a. We have not studied why cost models have resulted in total model costs exceeding CRA costs for nonprofit Standard (A) letters. I note, however, that many of the input parameters used in the mail flow models are averaged over different classes and subclasses of mail. These inputs, such as accept rates, downflow densities, and productivities, are not subclass-specific and may differ from the average in a direction that results in a higher estimation of modeled costs.
- b. First, I disagree with the characterization in the question that CRA costs for Standard A Regular Rate Mail are underestimated and that CRA costs for Standard A Nonprofit Mail are overestimated. Furthermore, one could argue that the relationship between the CRA adjustments for these subclasses would suggest the converse. As explained in subpart a, it is possible that inputs that are averaged across subclasses may affect the cost models. This does not represent an inaccuracy in the cost models, but rather is a consequence of using the best available data.

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**ANM/USPS-T29-28**

Please refer to LR-H-195, Table 5, p. 13.

- a. The title states that the data in the table are for Standard A Nonprofit Rate Automation and Nonautomation-Ungradable [sic] Letters. Do the rows in Table 5 distinguish between (i) Automation and (ii) Nonautomation ungradable [sic] letters? If not, please explain the significance of each row.
- b. What does the sum of the two rows represent?

**RESPONSE:**

- a. Table 5 in USPS LR-H-195 does not distinguish between Automation and Nonautomation Upgradable letters. The rows distinguish between letters that are in AADC trays versus Mixed AADC trays.
- b. The sum of the two rows represents the amount of Nonprofit Basic Rate Automation and Nonprofit Nonautomation Upgradable letters.

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**ANM/USPS-T29-29**

Please refer to LR-H-195, Table 6, p. 14. This table purports to show Standard A Nonprofit Rate Nonautomation-Ungradable [sic] Letters.

- a. Please explain why the total of such letters shown in the last row of this table is not equal to either of the two rows in Table 5.
- b. To what extent (if any), are the data in Table 6 a subset of the data in Table 5?

**RESPONSE:**

- a. The total in Table 6 of USPS LR-H-195 is not equal to either of the two rows in Table 5 of USPS LR-H-195 because the total in Table 6 represents all Nonprofit Nonautomation Upgradable letters, both Basic and 3/5 Presort rate categories. Table 5, on the other hand, includes only Nonprofit Basic rate letters, both Automation and Nonautomation Upgradable.
- b. The Basic row in Table 6 is a subset of the total of Table 5.

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**ANM/USPS-T29-30**

The unit mail processing cost (cents per piece) for Standard A Regular Rate Automation letters in Docket Nos. MC95-1 and [sic] R97-1 are shown below, and are taken from USPS-T-12C, page 2 (revised 6/20/95) and USPS-29A, page 1, and [sic] respectively.

	<u>Docket No</u> <u>MC95-1</u>	<u>Docket No</u> <u>R97-1</u>	<u>Difference</u>	<u>Percent</u> <u>Change</u>
Basic	5.8752	5.2736	-0.6016	-10.2
3-Digit	5.0942	4.7225	-0.3687	-7.2
5-Digit	3.3317	3.4227	+0.0910	+2.7

- a. Please confirm that the unit costs shown here are correct. If you do not confirm, please supply the correct unit costs.
- b. Please explain all factors that caused the mail processing unit cost of Automation Basic Letters to decline between Docket No. MC95-1 and Docket No. R97-1.
- c. Please explain all factors that caused the mail processing unit cost of Automation 3-Digit Letters to decline between Docket No. MC95-1 and Docket No. R97-1, but by a lesser amount than Basic Automation letters.
- d. Please explain all factors that caused the mail processing unit cost of Automation 5-Digit Letters to increase between Docket No. MC95-1 and Docket No. R97-1. In particular, please explain why the unit mail processing cost of Automation 5-Digit letters increased while the unit mail processing cost of Automation Basic and 3-Digit letters decreased.

**RESPONSE:**

- a. Confirmed.
- b.-d. As stated in footnote 1 in my response to ANM/USPS-T29-10, many factors in this docket have tended to increase modeled costs. Comparing the *modeled* cost instead of the *total* costs of the categories in the table above would result in the following table:

	<u>Docket No</u> <u>MC95-1</u>	<u>Docket No</u> <u>R97-1</u>	<u>Difference</u>	<u>Percent</u> <u>Change</u>
Basic	3.7416	4.2210	+0.4794	+12.8
3-Digit	3.2441	3.7092	+0.4651	+14.3
5-Digit	2.1218	2.4871	+0.3653	+17.2

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Next, a table comparing the CRA adjustment made in each docket follows:

	Docket No <u>MC95-1</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	2.1336	1.0526	-1.0810	-50.7
3-Digit	1.8501	1.0133	-0.8368	-45.2
5-Digit	1.2099	0.9356	-0.2743	-22.7

Therefore, I would conclude that the primary reason for the decline in total cost for Automation Basic and 3-Digit in Docket No. R97-1 is the smaller CRA adjustment. The smaller change in the CRA adjustment, coupled with the slightly higher percent increase in modeled cost for Automation 5-Digit, would tend to explain that category's slight increase.

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**ANM/USPS-T29-31**

The unit mail processing cost (cents per piece) for Standard A Nonprofit Automation letters in Docket Nos. MC95-1 and R97-1 are shown below, and are taken, from respectively, USPS-5C, page 1 and USPS-29B, page 1.

	<u>Docket No</u> <u>MC96-2</u>	<u>Docket No</u> <u>R97-1</u>	<u>Difference</u>	<u>Percent</u> <u>Change</u>
Basic	3.9332	4.0747	+0.1415	+3.6
3-Digit	3.5135	3.6227	+0.1092	+3.1
5-Digit	2.3064	2.6390	+0.3326	+14.4

- a. Please confirm that the unit costs shown here are correct. If you do not confirm, please supply the correct unit costs.
- b. In light of the reduction in the volume variability of mail processing costs proposed in this docket, please explain all factors that caused the unit mail processing costs of nonprofit Automation Basic letters to increase between Docket No. MC96-2 and Docket No. R97-1.
- c. Please explain why the unit mail processing unit cost of Nonprofit Automation Basic letters increased while the unit costs of Regular Rate Automation Basic letters decreased.
- d. In light of the reduction in the volume variability of mail processing costs proposed in this docket, please explain all factors that caused the unit mail processing costs of nonprofit Automation 3-Digit letters to increase between Docket No. MC96-2 and Docket No. R97-1.
- e. Please explain why the unit mail processing unit cost of Nonprofit Automation 3-Digit letters increased while the unit costs of Regular Rate Automation 3-Digit letters decreased.
- f. Please explain what caused the unit mail processing unit cost of Nonprofit Automation 5-Digit letters to increase so much more (both in absolute and percentage amount) between Docket No. MC96-2 and Docket No. R97-1.
- g. Please explain what caused the unit mail processing unit cost of Nonprofit Automation 5-Digit letters to increase so much more (both in absolute and percentage amount) than Regular Rate Automation 5-Digit letters.

**RESPONSE:**

- a. Confirmed.

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b.-e. As stated in footnote 1 in my response to ANM/USPS-T29-10, many factors in this docket have tended to increase modeled costs. Comparing the *modeled* cost instead of the *total* costs of the categories in the table above would result in the following table:

	Docket No <u>MC96-2</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	3.5349	4.9285	+1.3936	+39.4
3-Digit	3.1577	3.7417	+0.5840	+18.5
5-Digit	2.0728	2.5299	+0.4571	+22.1

Next, a table comparing the CRA adjustment made in each docket follows:

	Docket No <u>MC96-2</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Basic	+0.3983	-0.8538	-1.2521	-314.4
3-Digit	+0.3558	-0.1190	-0.4748	-133.4
5-Digit	+0.2336	+0.1091	-0.1245	-53.3

Therefore, I would conclude that the primary reason for the slight increase in total cost for Automation Basic and 3-Digit in Docket No. R97-1 is that the CRA adjustment did not offset the increase in modeled cost as it did for the Regular subclass.

f.-g. In addition to the reasons described in response to ANM/USPS-T29-10, the CRA adjustment did not sufficiently offset the increase in modeled costs for Automation 5-Digit as show in the table in the subpart above. Additionally, the increase in acceptance costs as shown in the table below may help to explain why the cost for Nonprofit Automation 5-Digit increased more than Regular Automation 5-Digit.

	Docket No <u>MC95-1/MC96-2</u>	Docket No <u>R97-1</u>	<u>Difference</u>	<u>Percent Change</u>
Nonprofit Acceptance	0.0425	0.2664	0.2239	+526.8
Regular Acceptance	0.0311	0.1844	0.1533	+493.0

An increase of 0.2239 cent in nonprofit acceptance costs accounts for almost 10 percent of Nonprofit Automation 5-Digit's total costs. The increase of 0.1533 cent in

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commercial acceptance costs accounts for less than 5 percent of total costs for Regular Automation 5-Digit.

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**ANM/USPS-T29-32**

Please refer to USPS-29A, page 2 and USPS-29B, page 2. Please explain why the operation "BMCs/spb" is treated as proportional for Regular Rate letters and fixed for Nonprofit letters. If either entry is in error, please identify which one and explain what adjustments should be made.

**RESPONSE:**

The operation BMCs/spb on page 2 of Exhibit USPS-29B should be treated as proportional. A correction to page 2 of Exhibit USPS-29B will be filed in conjunction with other changes.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORY OF DIRECT MARKETING ASSOCIATION**

**DMA/USPS-T29-1.** Please refer to page 19, lines 27 through 29, and page 20, lines 1 through 26, of your direct testimony.

- a. Please confirm that the prebarcoding cost avoidance of four cents for parcels is the cost difference between keying a nonbarcoded parcel (including the ribbon and label costs) on a PSM retrofitted with a Package Barcode System (PBCS) and scanning a prebarcoded parcel on a PSM retrofitted with a PBCS.
- b. What are the machinability requirements for a PSM retrofitted with a PBCS?
- c. At what types of facilities (e.g., BMCs, SCFs) are parcels sorted on PSMs retrofitted with PBCSs?
- d. At what types of facilities are Standard (A) parcels sorted?
- e. Are machinable Standard (A) parcels sorted on PSMs retrofitted with PBCSs?
- f. If your answer to sub-part e. is "no," please describe (i) how Standard (A) parcels are sorted and (ii) why they are not sorted on PSMs retrofitted with PBCSs.
- g. Please explain fully whether extending the prebarcoding discount to Standard (A) parcels would result in a rate structure that more accurately reflects costs of service as contemplated in 39 U.S.C. § 3622(b).

**RESPONSE:**

- a. Confirmed.
- b. Machinability requirements are described on page 13 of my testimony. Please also see DMM § C050.
- c. Parcels are sorted on PSMs retrofitted with PBCSs at BMCs.
- d. Standard (A) parcels are sorted at all types of facilities.
- e. Some Standard (A) parcels are sorted on PSMs retrofitted with PBCSs.
- f. DSCF or DDU Standard (A) parcels may be sorted manually at SCFs and delivery units. Also, Standard (A) parcels that are already sorted to the 5-digit level are not sorted on the PSM.
- g. I am not a pricing witness, and I do not offer testimony in this docket concerning the pricing criteria of 39 U.S.C. § 3622(b). I understand, however, that witness Moeller addresses the Standard (A) barcode discount in his response to DMA/USPS-T4-23b.

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**MASA/USPS-T29-1.**

a. Confirm that the following chart accurately sets forth the Mail Processing and Delivery unit costs in cents for the categories of Standard (A) mail indicated as computed by the Postal Service in this case and as determined by the PRC in MC95-1, and the differences between the two.

	R97-1 Mail Proc. & Delivery Unit Costs (Cents)	MC95-1 Mail Proc & Delivery Unit Costs (Cents)	Increase (Decrease)
<b>REGULAR SUBCLASS</b>			
<b>Nonletters:</b>			
Basic Presort	26.1585	30.4483	(4.2898)
Basic Automation	20.4392	27.5307	(7.0915)
3/5-Digit Presort	18.2192	21.0077	(2.7885)
3/5-Digit Automation	14.8855	17.4013	(2.5158)
<b>Letters:</b>			
Basic Presort	12.8452	16.8287	(3.9835)
Basic Automation	8.7366	9.5512	(0.8146)
3/5-Digit Presort	10.5299	12.1486	(1.6187)
3-Digit Automation	8.1455	8.7652	(0.6197)
5-Digit Automation	6.7847	6.7437	0.041
<b>ENHANCED CARRIER ROUTE SUBCLASS</b>			
<b>Nonletters:</b>			
Basic	10.3844	7.4263	2.9581
High Density	7.5692	6.6323	0.9369
Saturation	5.9082	5.0433	0.8649
<b>Letters:</b>			
Basic	6.8745	6.0700	0.8045
Auto Basic	6.2687	5.6500	0.6187
High Density	4.7640	5.2880	(0.524)
Saturation	3.8560	4.4170	(0.561)

b. Identify how much of each cost differential in the Regular Subclass is attributable to the use in this case of a new costing methodology resulting in the attribution of a lower proportion of mail processing and delivery unit costs compared to MC95-1.

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c. Identify any other factors that have contributed to the reduction in mail processing and delivery unit costs in the Regular Subclass, and, for each factor, quantify the amount of the cost differential attributable to that factor.

d. Confirm that, with the exception of the High Density and Saturation categories, in the ECR Subclass mail processing and delivery unit costs have increased compared to MC95-1.

e. Explain why, in general, mail processing and delivery unit costs have increased for the ECR Subclass and decreased for the Regular Subclass compared to MC95-1.

**RESPONSE:**

1a.

	R97-1 Mail Proc. & Delivery Unit Costs (Cents)	MC95-1 Mail Proc & Delivery Unit Costs (Cents)	Increase (Decrease)
<b>REGULAR SUBCLASS</b>			
<b>Nonletters:</b>			
Basic Presort	25.9922	30.4483	(4.4561)
Basic Automation	20.4583	27.5307	(7.0724)
3/5-Digit Presort	18.3249	21.0077	(2.6828)
3/5-Digit Automation	14.9957	17.4013	(2.4056)
<b>Letters:</b>			
Basic Presort	12.9597	16.8287	(3.8690)
Basic Automation	8.6778	9.5512	(0.8734)
3/5-Digit Presort	10.7007	12.1486	(1.4479)
3-Digit Automation	8.10937	8.7652	(0.6715)
5-Digit Automation	6.7494	6.7437	0.0057
<b>ENHANCED CARRIER ROUTE SUBCLASS</b>			
<b>Nonletters:</b>			
Basic	8.6042	7.4263	1.1779
High Density	5.8426	6.6323	(0.7897)
Saturation	4.1816	5.0433	(0.8617)

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<b>Letters:</b>			
Basic	5.8315	6.0700	0.2385
Auto Basic	6.4363	5.6500	0.7863
High Density	4.2367	5.2880	(1.0513)
Saturation	3.3297	4.4170	(1.0873)

The chart above sets forth the Mail Processing and Delivery unit costs in cents for the categories of Standard (A) mail as computed on page 2 of Exhibit USPS-29C revised 10/1/97. The costs for enhanced carrier route (ECR), however, have been adjusted for dropship. ECR costs in MC95-1 were not adjusted for dropship. The comparable ECR costs in this docket are shown on page 3 of Exhibit USPS-29C. Furthermore, the costs for ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket, but were not deaveraged in Docket No. MC95-1. A chart which summarizes the most comparable set of costs as revised on 10/1/97 is shown below. New numbers have been bolded.

<b>ENHANCED CARRIER ROUTE SUBCLASS</b>	<b>R97-1 Mail Proc. &amp; Delivery Unit Costs (Cents)</b>	<b>MC95-1 Mail Proc &amp; Delivery Unit Costs (Cents)</b>	<b>Increase (Decrease)</b>
<b>Nonletters:</b>			
Basic	8.2324	7.4263	0.8061
High Density	<b>5.4323</b>	6.6323	<b>(1.200)</b>
Saturation	<b>3.7713</b>	5.0433	<b>(1.272)</b>
<b>Letters:</b>			
Basic	<b>6.3510</b>	6.0700	<b>0.281</b>
Auto Basic	5.7461	5.6500	0.0961
High Density	<b>4.1201</b>	5.2880	<b>(1.1679)</b>
Saturation	<b>3.2121</b>	4.4170	<b>(1.2049)</b>

1b-c. An objection to these interrogatories has been filed.

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1d. As shown in the chart of more comparable figures in response to question (1a.), which are ECR costs before being adjusted for dropship as seen on page 3 of Exhibit USPS-29C, the mail processing and delivery costs of ECR Basic letters and nonletters and ECR Automation Basic letters have increased slightly since Docket No. MC95-1 while the costs for High Density and Saturation letters and nonletters have decreased. The costs for ECR walk-sequenced endorsed and nonwalk-sequenced endorsed mail have been deaveraged in this docket but they were not deaveraged in Docket No. MC95-1. The deaveraging of costs in this docket results in a push up of ECR Basic costs and a push down in walk sequence and saturation costs.

1e. As shown in the chart of more comparable figures in response to question (1a.) and as discussed above, ECR Basic letters and nonletters and ECR Automation Basic letters mail processing costs have increased slightly since Docket No. MC95-1 as a result of deaveraging. In general, the volume variable mail processing and delivery unit costs have decreased in both subclasses.

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**MASA/USPS-T29-3**

- a. Do you agree that the decrease in attributable mail processing and delivery unit costs for the Regular Subclass of Standard (A) as reflected in MASA/USPS-T29-1 is caused, at least in part, by the use of the new costing methodology in this proceeding? If you do not agree, please explain.
- b. What other factors, if any, have contributed to the decrease in attributable mail processing and delivery unit costs for the Regular Subclass of Standard (A) reflected in MASA/USPS-T29-1?
- c. Explain in narrative form how the factors described in your answers to the foregoing questions have affected the decrease in attributable mail processing costs, including giving your best estimate of the contribution of each factor to the decrease.
- d. Do the factors you have identified in your answer to subsections a and b of this question have impacts on particular rate categories in Standard A Regular that differ from the impact described generally in response to subsection c. If so, describe the differences.

**RESPONSE:**

- a. While I do not purport to offer testimony on all of the new costing methodologies in this docket, I agree that the costing methodologies have tended to reduce the volume variable mail processing and delivery unit costs for the Regular subclass of Standard (A).
- b. See my response to ANM/USPS-T29-10.
- c. I have no way to estimate the relative proportion or degree to which each factor contributes to the decrease in Regular Standard attributable mail processing costs since Docket No. MC95-1.
- d. The change in the percent of automation compatible mail in Regular Presort Basic and 3/5-Digit Presort contribute to the decrease in those categories and do not affect the Automation categories. Likewise, by virtue of the fact that the model costs for presort are higher than model costs for automation, the decrease in the proportional CRA adjustment (previously known as the nonmodel cost factors) affects the presort categories more than the automation categories.

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MASA/USPS-T29-4. Referring to your answer to ANM/USPS-T29-10:

- a. Identify the source for mail processing costs for Standard A Regular Rate Basic of 13 cents in MC95-1, and 9 cents in this docket.
- b. Do you agree that the decline in model costs described in your answer is attributable largely to the Basic Presort mailstream becoming "more automation compatible and therefore somewhat less costly"? If not, explain what the other causes of the decline in model costs are.
- c. Do you agree that the smaller CRA adjustment described in your answer does not reflect actual cost savings attributable to the Basic Presort mail stream becoming less costly to process? Explain any no answer, and specifically describe any cost savings that are reflected in the lower CRA adjustment.

**RESPONSE:**

- a. The source for mail processing costs for Standard (A) Regular Basic of 13 cents in Docket No. MC95-1 is witness Takis' Exhibit USPS-12A. The 9.1 cent figure for Standard (A) Regular Basic is reported in my Exhibit USPS-29A revised on 10/1/97.
- b. The decline in model costs is *partially* attributable to the Basic Presort mailstream becoming more automation compatible. See my response to MASA/USPS-T29-3(c). Other factors, which may also contribute to the change in model costs, are discussed in ANM/USPS-T29-10.
- c. This question is unclear. The CRA adjustment alone is not a means for capturing cost savings. The purpose of CRA adjustment is to reconcile model costs with comparable CRA costs.

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MASA/USPS-T29-5. Referring to your response to MASA/USPS-T29-1a, explain how ECR costs in the USPS proposal in this docket were "adjusted for dropship," including providing any calculations that were made to make such an adjustment.

**RESPONSE:**

ECR costs were adjusted for dropship using the data on page 3 of Exhibit USPS-29D. For non-saturation letters, saturation letters, non-saturation non-letters, and saturation non-letters, separately, the cost avoided per pound by entry point from USPS LR-H-111 was multiplied by the number of pounds by entry point from USPS LR-H-145 to calculate the total cost avoided by entry point. The sum of costs avoided across all entry points was then divided by the total number of pieces to determine the average cost avoided of an average piece. These figures were then added to the average total mail processing costs per piece and reported on page 2 of Exhibit USPS-29C. Thus, the difference between the costs of the above categories should reflect savings without the impact of different levels of dropshipping.

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MASA/USPS-T29-6. Referring to your response to MASA/USPS-T29-1a, explain how "ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket," including providing any calculation or formula used to determine the deaveraging.

**RESPONSE:**

ECR walk sequenced-endorsed and nonwalk sequenced-endorsed mail have been deaveraged in this docket in USPS LR-H-109 using base year costs. These costs were then reconciled to the Test Year CRA on page one of Exhibit USPS-29D.

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**MMA/USPS-T29-1.**

Please refer to USPS-29C, pages 1 and 2. Comparing First-Class Automated unit costs for mail processing and delivery versus Standard Mail Regular Automation costs (rounded):

- (A) Why is the Standard Mail Basic letter unit cost (8.7 cents) lower than for a First-Class Basic letter (9.0 cents)?
- (B) Why is the Standard Mail 3-Digit letter unit cost (8.15 cents) about the same as for a First-Class 3-Digit letter (8.2 cents)?
- (C) Why is the Standard Mail 5-Digit letter unit cost (6.8 cents) higher than for a First-Class 5-Digit letter (6.6 cents)?
- (D) Confirm the following unit costs and rates (in cents, rounded) shown below are proposed by the Postal Service in this proceeding.

<u>Mail Category</u>	<u>Unit Cost</u>	<u>Unit Rate (1 oz)</u>	<u>Unit Rate (2 oz)</u>
First Class:			
Basic	9.0	26.1	49.1
Automated 3-digit	8.2	25.4	48.4
Automated 5-digit	6.6	23.8	45.8
Standard A Regular:			
Basic Automation	8.7	18.9*	18.9*
Automated 3-digit	8.15	17.8*	17.8*
Automated 5-digit	6.8	16.0*	16.0*

\*Assumes no destination entry discount

- (E) Confirm that the rates for Standard Mail Regular Automation are the same for all pieces that weigh up to 3 oz. If you cannot, please explain.
- (F) Please confirm that the average First-Class presorted letter weighs .6 ounces whereas the average Standard Mail non-carrier route presorted letter weighs 2.3 ounces. (See USPS-T-5, pages 15 and 18.)
- (G) What is the average weight of (1) a First-Class Automation letter and (2) a Standard Mail Regular Automation letter? If this information is not available, which weighs on average more, a First-Class Automation letter or a Standard Mail Regular Automation letter? Support your answer.

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RESPONSE:

(A - C) The cost of First-Class letters is outside the scope of my testimony. However, factors which are class-specific such as (i) mail characteristics including the percent of automation compatible letters in the mailstream and percentage of letters in Mixed AADC/ADC trays versus AADC/ADC trays, (ii) coverage factors, (iii) premium pay factors, (iv) accept and upgrade rates, (v) CRA adjustments, and (vi) percentage of letters which are sorted in delivery point sequence (DPS), can vary between the Standard (A) and First-Class letter cost models and contribute to the cost differences.

(D) Not Confirmed. First, it is unclear to what "Basic" refers in the question. Second, the unit rates for First-Class are *current* rates and not *proposed* rates, as indicated in the question. Finally, the costs reported in the column with the heading "unit costs" are for mail processing and delivery only.

(E) Not Confirmed. The question does not specify the presort tier, mail shape, or dropship level. These factors determine the applicable rate.

(F) Not Confirmed. Standard Mail (A) non-carrier route presort **piece, both letters and nonletters**, weighs 2.1 ounces on average according to page 18 of Exhibit USPS-5C. Standard Mail (A) carrier route presort **piece, both letters and nonletters**, weighs 2.3 ounces on average also according to page 18 of Exhibit USPS-5C. The average First-Class presorted letter weighs .6 ounces according to page 15 of Exhibit USPS-5C.

(G)	First-Class	Standard (A) Regular
Automation basic:	0.58 ounces	.8582 ounces
Automation 3-digit:	0.61 ounces	.9611 ounces
Automation 5-digit:	0.63 ounces	.9480 ounces

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**MMA/USPS-T29-2. Please refer to USPS-29C, pages 1 and 2. In the questions below assume that the mailer does not take advantage of destination entry discounts.**

**(A) If a mailer sends out a First-Class Basic Automation letter weighing 1.8 ounces, please confirm that under the Postal Service's proposed rates, the postage would be 50.5 cents and the unit cost estimate for mail processing and delivery would be 9.03 cents. If you cannot confirm please explain and provide the correct postage rates and costs.**

**(B) If a mailer sends a First-Class Basic Automation letter weighing .9 ounces and a Standard Mail A Basic Automation letter weighing .9 ounces, please confirm that under the Postal Service's proposed rates, the total postage for both letters would be 46.4 cents (27.5 cents for First-Class and 18.9 cents for Standard Mail A and the total unit cost estimate for mail processing and delivery for both letters would be 17.8 cents (9.03 + 8.74). If you cannot confirm please explain and provide the correct postage rates and costs.**

**(C) Suppose an Automation mailer plans to send to each customer an invoice weighing .9 ounces (with envelope) and advertising matter ("inserts") weighing .9 ounces (with envelope). Suppose also that the Automation mailer has the choice of (1) combining the mailing by mailing the invoice and the advertising matter together, in a single envelope, at First-Class Basic Automation rates [the situation described in Paragraph (A)] or (2) splitting the mailing by mailing the invoice in one envelope at First-Class Basic Automation Rates and mailing the advertising matter separately in another envelope at Standard A Basic Automation rates [the situation described in Paragraph (B)]. Do you agree that, as compared with the combined mailing of both the invoice and the advertising matter at First-Class rates, the mailer pays less postage and the Postal Service incurs greater cost if the mailer makes a split mailing? If you do not agree, please explain.**

**(D) Do you agree that, as compared with the combined mailing of both the invoice and the advertising matter at First-Class rates (as described in Paragraphs (A) and (C)), the Postal Service receives a lower contribution to institutional costs if the mailer makes a split mailing (as described in Paragraphs (B) and (C)). If you do not agree, please explain.**

**RESPONSE:**

**(A) Not Confirmed. The mail processing cost is for an average weight letter, not specifically for a 1.8 ounce letter. The rate is confirmed.**

**(B) Not Confirmed. The mail processing cost is for an average weight letter, not**

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specifically for a 1.8 ounce letter. Rates for a Regular Basic Automation letter with no destination entry discounts and for a First-Class Basic Automation letter are confirmed.

(C-D) No. The mailer pays less postage, but I cannot confirm that the cost is higher.

See response to MMA/USPS-T29-2 (A&B).

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**MMA/USPS-T29-3.** Please refer to USPS-29C, pages 1 and 2. In the questions below assume that the mailer does not take advantage of destination entry discounts.

**(A)** If a mailer sends out a First-Class 3-Digit Automation letter weighing 1.8 ounces, please confirm that under the Postal Service's proposed rates, the postage would be 49.5 cents and the unit cost estimate for mail processing and delivery would be 8.2 cents. If you cannot confirm please explain and provide the correct postage rates and costs.

**(B)** If a mailer sends a First-Class 3-Digit Automation letter weighing .9 ounces and a Standard Mail A 3-Digit Automation letter weighing .9 ounces, please confirm that under the Postal Service's proposed rates, the total postage for both letters would be 44.3 cents (26.5 cents for First-Class and 17.8 cents for Standard Mail A 3-Digit Automation and the total unit cost estimate for mail processing and delivery for both letters would be 16.3 cents (8.2 + 8.1). If you cannot confirm please explain and provide the correct postage rates and costs.

**(C)** Suppose an Automation mailer plans to send to each customer an invoice weighing .9 ounces (with envelope) and advertising matter ("inserts") weighing .9 ounces (with envelope). Suppose also that the Automation mailer has the choice of (1) combining the mailing by mailing the invoice and the advertising matter together, in a single envelope, at First-Class 3-Digit Automation rates [the situation described in Paragraph (A)] or (2) splitting the mailing by mailing the invoice in one envelope at First-Class 3-Digit Automation Rates and mailing the advertising matter separately in another envelope at Standard A 3-Digit Automation rates [the situation described in Paragraph (B)]. Do you agree that, as compared with the combined mailing of both the invoice and the advertising matter at First-Class rates, the mailer pays less postage and the Postal Service incurs greater cost if the mailer makes a split mailing? If you do not agree, please explain.

**(D)** Do you agree that, as compared with the combined mailing of both the invoice and the advertising matter at First-Class rates (as described in Paragraphs (A) and (C)), the Postal Service receives a lower contribution to institutional costs if the mailer makes a split mailing (as described in Paragraphs (B) and (C))? If you do not agree, please explain.

**RESPONSE:**

**(A)** Not Confirmed. The mail processing cost is for an average weight letter, not specifically for a 1.8 ounce letter. The rate is confirmed.

**(B)** Not Confirmed. The mail processing cost is for an average weight letter, not

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specifically for a 1.8 ounce letter. Rates for a Regular 3-Digit Automation letter with no destination entry discounts and for a First-Class 3-Digit Automation letter are confirmed.

(C-D) No. The mailer pays less postage, but I cannot confirm that the cost is higher.

See response to MMA/USPS-T29-3 (A&B).

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**MMA/USPS-T29-4.** Please refer to USPS-29C, pages 1 and 2. In the questions below assume that the mailer does not take advantage of destination entry discounts.

**(A)** If a mailer sends out a First-Class 5-Digit Automation letter weighing 1.8 ounces, please confirm that under the Postal Service's proposed rates, the postage would be 47.9 cents and the unit cost estimate for mail processing and delivery would be 6.6 cents. If you cannot confirm please explain and provide the correct postage rates and costs.

**(B)** If a mailer sends a First-Class 5-Digit Automation letter weighing .9 ounces and a Standard Mail A 5-Digit Automation letter weighing .9 ounces, please confirm that under the Postal Service's proposed rates, the total postage for both letters would be 40.9 cents (24.9 cents for First-Class and 16.0 cents for Standard Mail A 5-Digit Automation and the total unit cost estimate for mail processing and delivery for both letters would be 13.4 cents (6.6 + 6.8). If you cannot confirm please explain and provide the correct postage rates and costs.

**(C)** Suppose an Automation mailer plans to send to each customer an invoice weighing .9 ounces (with envelope) and advertising matter ("inserts") weighing .9 ounces (with envelope). Suppose also that the Automation mailer has the choice of (1) combining the mailing by mailing the invoice and the advertising matter together, in a single envelope, at First-Class 5-Digit Automation rates [the situation described in Paragraph (A)] or (2) splitting the mailing by mailing the invoice in one envelope at First-Class 5-Digit Automation Rates and mailing the advertising matter separately in another envelope at Standard A 5-Digit Automation rates [the situation described in Paragraph (B)]. Do you agree that, as compared with the combined mailing of both the invoice and the advertising matter at First-Class rates, the mailer pays less postage and the Postal Service incurs greater cost if the mailer makes a split mailing? If you do not agree, please explain.

**(D)** Do you agree that, as compared with the combined mailing of both the invoice and the advertising matter at First-Class rates (as described in Paragraphs (A) and (C)), the Postal Service receives a lower contribution to institutional costs if the mailer makes a split mailing (as described in Paragraphs (B) and (C))? If you do not agree, please explain.

**RESPONSE:**

**(A)** Not Confirmed. The mail processing cost is for an average weight letter, not specifically for a 1.8 ounce letter. The rate is confirmed.

**(B)** Not Confirmed. The mail processing cost is for an average weight letter, not

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specifically for a 1.8 ounce letter. Rates for a Regular 5-Digit Automation letter with no destination entry discounts and for a First-Class Automation 5-Digit letter are confirmed.

**(C-D) No.** The mailer pays less postage, but I cannot confirm that the cost is higher.

See response to MMA/USPS-T29-4 (A&B).

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**MMA/USPS-T29-5.**

Please refer to your response to MMA/USPS-T29-1(G) and LR-H-108, Table 1. Please confirm that from the data provided in the library reference, the average weight of a Standard Mail A bulk regular rate letter-shaped piece of mail [sic] in FY1996 was 1.0 ounces. If you cannot confirm, please explain.

**RESPONSE:**

The response to MMA/USPS-T29-1(G) is incorrect. Weight per piece by rate category is available and a revised response will be filed. According to the data in LR-H-108, the total weight of Standard Mail A bulk letter-shaped pieces is 1,177,288 pounds. There were 19,075,362 pieces. Thus, the weight per piece in pounds is 0.0617 and in ounces is 0.987.

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**MMA/USPS-T29-6.**

Please refer to USPS-29C, pages 1 and 2. Please confirm the following unit costs for (mail processing plus delivery) (in cents rounded) and rates shown below that are proposed by the Postal Service in this proceeding. Please assume no destination entry discount for Standard A Regular.

<u>Mail Category</u>	<u>Unit Cost</u>	<u>Unit Rate (1 oz)</u>	<u>Unit Rate (2 oz)</u>
First Class:			
Basic Automation	9.0	27.5	50.5
3-Digit Automation	8.2	26.5	49.5
5-Digit Automation	6.6	24.9	27.9
Standard A Regular:			
Basic Automation	8.7	18.9	18.9
3-Digit Automation	8.15	17.8	17.8
5-Digit Automation	6.8	16.0	16.0

**RESPONSE:**

Not Confirmed. The unit costs are confirmed as the mail processing and delivery costs of an average weight piece (not necessarily a one or two ounce piece) **except for Standard A Regular 3-Digit and 5-Digit Automation which changed to 8.1 and 6.7 cents respectively as a result of revisions to USPS-29C page 2 on 10/1/97.**

Moreover, the unit rate for a 2 ounce 5-Digit piece is not 27.9 cents; it is 47.9 cents.

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**MMA/USPS-T29-7.**

Please confirm that:

- (A) The rates for Standard Mail A Regular Automation letter do not change as long as the weight of the letter remains 3 ounces or less. If you cannot confirm, please explain.
- (B) You do not know whether or to what extent the cost for a Standard Mail A Automation letter changes as long as the weight of the letter remains three ounces or less. If you cannot confirm, please explain.

**RESPONSE:**

- (A) Confirmed, although the rates may vary based on the level of destination entry.
- (B) Confirmed.

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**MMA/USPS-T29-8.**

Please refer to your responses to paragraphs (A) and (B) MMA/USPS-T29-2-4. There you indicate that you do not agree that the unit cost estimates for mail processing and delivery that are provided in USPS-29C, pages 1 and 2 would accurately reflect the cost of a 1.8 ounce or a .9 ounce letter because the costs shown in you exhibit represent the costs for a letter of "average" weight.

(A) Is this an accurate characterization of your answer to paragraphs (A) and (B) of each of those questions. If not, please explain.

(B) Please provide the "average" weight for each First-Class and Standard Mail A category whose costs are represented in USPS-29C, pages 1 and 2.

(C)(1) Would a 1.8-ounce First-Class Basic Automation letter cost more, less than, or the same as the 9.03 cent cost that you show for an average First-Class Basic Automation letter? Please support your answer.

(C)(2) Would a 1.8-ounce First-Class 3-Digit Automation letter cost more, less than, or the same as the 8.2 cent cost that you show for an average First-Class 3-Digit letter? Please support your answer.

(C)(3) Would a 1.8-ounce First-Class 5-Digit Automation letter cost more, less than, or the same as the 6.6 cent cost that you show for an average First-Class 5-Digit Automation letter? Please support your answer.

(D)(1) Would a .9-ounce First-Class Basic Automation letter cost more, less than, or the same as the 9.03 cent cost that you show for an average First-Class Basic Automation letter? Please support your answer.

(D)(2) Would a .9-ounce First-Class 3-Digit Automation letter cost more, less than, or the same as the 8.2 cent cost that you show for an average First-Class 3-Digit letter? Please support your answer.

(D)(3) Would a .9-ounce First-Class 5-Digit Automation letter cost more, less than, or the same as the 6.6 cent cost that you show for an average First-Class 5-Digit Automation letter? Please support your answer.

(E)(1) Would a .9-ounce Standard Mail A Basic Automation letter cost more, less than, or the same as the 8.7 cent cost that you show for an average Standard Mail A Basic Automation letter? Please support your answer.

(D)(2) Would a .9-ounce Standard Mail A 3-Digit Automation letter cost more, less than, or the same as the 8.1 cent cost that you show for an average Standard Mail A 3-Digit letter? Please support your answer.

(D)(3) Would a .9-ounce Standard Mail A 5-Digit Automation letter cost more, less than, or the same as the 6.6 cent cost that you show for an average Standard Mail A 5-Digit Automation letter? Please support your answer.

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**RESPONSE:**

A. Yes.

B. The average weight per piece by rate category for Standard (A) mail can be computed using Billing Determinant data provided in LR-H-145. The average weight per piece by rate category for letter-shaped pieces is only available for the Automation Categories. Please see the response to ABA&EEI&NAPM/USPS-T-25-27.

C1-E3. I do not know. Cost avoidances for Standard A categories are calculated for an average weight piece, not for specific weight increments within those rate categories. The discounts do not vary by weight, so such quantification is unnecessary.

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**MMA/USPS-T29-9.**

Please refer to your responses to paragraphs (C) and (D) MMA/USPS-T29-2-4, where you cannot confirm that the cost (mail processing and delivery) for two .9 ounce letters (one First-Class and one Standard Mail A) is more than the cost for one 1.8 ounce letter (First-Class).

(A) Please confirm that the Postal Service does not know what costs more, two .9 ounce letters (one mailed at First-Class Basic Automation rates and one mailed at Standard Mail A Basic Automation rates) or one 1.8 ounce letter mailed at First-Class Basic Automation rates?

(B) Please confirm that the Postal Service does not know what costs more, two .9 ounce letters (one mailed at First-Class 3-Digit Automation rates and one mailed at Standard Mail A 3-Digit Automation rates) or one 1.8 ounce letter mailed at First-Class 3-Digit Automation rates?

(C) Please confirm that the Postal Service does not know what costs more, two .9 ounce letters (one mailed at First-Class 5-Digit Automation rates and one mailed at Standard Mail A 5-Digit Automation rates) or one 1.8 ounce letter mailed at First-Class Basic 5-Digit rates?

**RESPONSE:**

The Postal Service has provided detailed information to support the rate design for each subclass. The rate design does not require comparisons across class lines such as those requested in this question. Therefore, the Postal Service has not quantified costs in a manner which would allow for such distinct cost comparisons.

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**NAA/USPS-T29-1.**

Please refer to Exhibit USPS-29C, page 3.

- (a.) Please confirm that "Regular" as used in this exhibit includes the Standard Regular and Standard ECR subclasses, but no non-profit subclasses. If you cannot confirm, please explain why not.
- (b.) Please explain why letters and non-letters are assumed to have the same unit transportation costs in this exhibit.
- (c.) Do the unit transportation costs for Enhanced Carrier Route (ECR) mail in this exhibit reflect the current overall level of dropshipping for all Standard A Regular mail? If not, what adjustment is made to the transportation costs to reflect a different level of dropshipping.
- (d.) Please provide separate unit transportation costs for the average ECR letter and the average ECR non-letter at current levels of dropshipping.
- (e.) Please provide separate unit transportation costs for the average ECR letter and the average ECR non-letter assuming no dropshipping.

**RESPONSE:**

- a. Confirmed for the title heading to Exhibit USPS-29C; however, ECR subclass categories are identified in the row headings.
  
- b. The only unit costs on page 3 of Exhibit USPS-29C used in this docket are the entries in the cells with borders in the "Total" column for Automation 5-Digit 100% DBCS dropship letters and ECR Basic letters. These costs are used by witness Moeller to project the cost of ECR Basic letters migrating Automation 5-Digit in his workpaper 1, page 24. Using an average transportation cost is reasonable because it is expected that mailers of the migrating letters will continue to exhibit similar dropshipping practices; therefore, transportation costs for these pieces are not expected to differ substantially. The remaining figures reported in Exhibit USPS-29C page 3 are not used by any witness in this proceeding.

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c. The unit transportation cost in Exhibit USPS-29C, page 3, is the average across all shapes and both subclasses and reflects an overall level of dropshipping. See response to NAA/USPS-T29-1(b).

d-e. Transportation unit costs by shape are not available nor are they needed for setting discounts in this docket. See PRC Opinion MC95-1, page IV-132, para. 4293.

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**NAA/USPS-T29-2.**

Please refer to Exhibit USPS-29C, page 3.

- (a.) Please explain how you derived the mail processing cost of 3.0523 cents per piece for the "100% DBCS dropship like ECR" letters migrating to Automation 5-Digit mail.
- (b.) Please explain how you derived the delivery costs of 3.316 cents per piece for the 100% DBCS dropship like ECR" letters migrating to Automation 5-Digit mail.

**RESPONSE:**

a. The mail processing costs **3.2863 cents** for letters migrating from ECR Basic to Automation 5-Digit are derived from the model on pages 7 and 8 of Appendix I revised on 10/1/97. As presented on pages 7-8 of Appendix I, all 10,000 pieces are entered on DBCS. This yields a mail processing model cost of **2.4396 cents**, and a total unit cost of **3.3404 cents**, after the model cost is multiplied by the proportional CRA adjustment factor of **1.0525**, and the fixed CRA adjustment is added to this product. This mail processing unit cost is adjusted by subtracting **0.0541 cents**, the difference in dropshipping costs of ECR Basic migrating letters (**0.0901 cents**) and total other letters (**0.0360 cents**), as reported on page 5 of Exhibit USPS-29D revised on 10/1/97.

b. The delivery unit cost of **3.313 cents** is a weighted average of the cost of delivering non-delivery point sequenced (DPS) letters (**4.609 cents**) and DPS letters (**3.173 cents**) from witness Hume's testimony (Exhibit USPS-18B page 6) using the DPS percentage of 90.25 percent as indicated in the mail flow on page 7 of Appendix I.

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**NAA/USPS-T29-3.**

Please refer to Exhibit USPS-29D, page 3. Please confirm that the unit cost avoidances used in this exhibit represent total unit cost savings -- both transportation and non-transportation -- associated with dropshipping.

**RESPONSE:**

Confirmed.

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**NAA/USPS-T29-4.**

Please refer to Exhibit USPS-29C, page 2. Please explain why the entire dropship savings -- both transportation and non-transportation cost savings -- are added to the ECR mail processing costs when computing the unit costs in this exhibit, rather than the non-transportation savings only.

**RESPONSE:**

Ideally, only non-transportation cost savings would have been added to the ECR mail processing costs.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T29-5.**

Please refer to Exhibit USPS-29C, page 3, footnote 5. Please confirm that ECR transportation costs total 0.1877 cents per piece. If you cannot confirm, please provide the correct number.

**RESPONSE:**

Confirmed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T29-6.

Please refer to Exhibit USPS-29C, page 3, footnote 5. Please confirm that Regular Other transportation costs total 0.9196 cents per piece. If you cannot confirm, please provide the correct number.

**RESPONSE:**

Confirmed, assuming that "Regular Other" in the question refers to "Regular subclass".

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA

2496

**NAA/USPS-T29-7.**

Please refer to Exhibit USPS-29D, page 3.

- (a.) Please confirm that the average Standard ECR letter weighs 1.023 ounces. If you cannot confirm this weight, please provide the average weight of an ECR letter.
- (b.) Please confirm that the average Standard ECR non-letter weighs 3.138 ounces. If you cannot confirm this weight, please provide the average weight of an ECR non-letter.
- (c.) Assuming no dropshipment, would the average ECR non-letter have a unit transportation cost equal to 3.067 times the unit transportation cost of the average ECR letter.
  - (i) If no, please explain why transportation costs are not proportional to weight within ECR mail and describe how to compute the difference in the unit transportation cost by shape.

**RESPONSE:**

- a. According to the FY96 Billing Determinants (USPS LR-H-145), the average Standard ECR letter weighs 1.023 ounces.
- b. According to the FY96 Billing Determinants (USPS LR-H-145), the average Standard ECR nonletter weighs 3.138 ounces.
- c. Transportation unit costs are outside the scope of my testimony; however, I understand that assuming no dropshipment, the average ECR nonletter would not have unit transportation costs equal to a multiple of 3.067, which represents the ratio of average weight of an ECR nonletter to the average weight of an ECR letter. This is because cubic foot miles, as opposed to weight, are the driver of highway transportation costs.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF AMERICA**

**NAA/USPS-T29-8.** Please refer to Exhibit USPS-29C, page 2.

- (a.) Please explain why the mail processing costs for Standard Regular Other (non-ECR) mail have not been adjusted to reflect zero percent dropshipping.
- (b.) Do the cost differences between letters and nonletters for Standard Regular Other mail in this exhibit include the cost difference arising from differences in the level of dropshipping? If no, what adjustment was made to remove the differences in the level of dropshipping between letters and non-letters.

**RESPONSE:**

- a. Different methodologies were used between the two subclasses. For the Regular subclass, the mail flow model methodology used is not affected by differing levels of dropshipping. The CRA-based methodology in ECR, however, relies on cost data which include the effects of different levels of dropshipping, thereby making an adjustment appropriate.
  
- b. The costs for Standard Regular do not include cost differences arising from different levels of dropshipping; therefore, no adjustment was needed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORY OF NEWSPAPER ASSOCIATION OF AMERICA

**NAA/USPS-T29-9.**

Please refer to your response to NAA/USPS-T29-4. You state Ideally, only non-transportation cost savings would have been added to the ECR mail processing costs.”

- a. Please explain why both transportation and non-transportation costs savings were added to the ECR mail processing costs instead of adding only non-transportation costs.
- b. Please provide a copy of Exhibit USPS-29C, page 2 with only non-transportation costs added to ECR mail processing costs. If you cannot provide this revised exhibit, please explain why not.

**RESPONSE:**

a-b. Transportation costs should not have been added for this purpose. A corrected page 2 to Exhibit USPS-29C will be filed in conjunction with other changes.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORY OF NEWSPAPER ASSOCIATION OF AMERICA  
REDIRECTED FROM WITNESS MODEN**

2499

**NAA/USPS-T4-6.** Please refer to your direct testimony at page 8, lines 19-23. What is the Postal Service's unit cost of barcoding a non-barcoded ECR basic letter?

**RESPONSE:**

The model cost of barcoding a letter can vary between 0.7107 cent if a MLOCR can successfully barcode the letter to 3.538 cents if the letter also requires RBCS and LMLM processing to successfully barcode the letter (0.7107 cent for MLOCR, 1.7525 cents for RBCS, 0.7187 cent for LMLM, and 0.3561 cent for BCS-OSS). However, these costs should not be confused with the total mail processing costs of processing a barcoded ECR basic letter.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,  
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)

2500

NDMS/USPS-T29-1. Please refer to USPS witness Fronk's revised reply to NDMS/USPS-T32-1, in which Fronk describes you as "the analyst with principal responsibility for the library reference [H-112]."

- a. Did you prepare, or participate in any way in the preparation of, LR-H-112.
- b. Unless your answer to preceding subpart (a) is an unqualified negative, please describe in detail your role in preparing the study contained in LR-H-112. Please explain you role as "the analyst with principal responsibility for the library reference."
- c. Does your testimony, USPS-T-29, reference or rely on LR-H-112 in any way. If so, please explain.

RESPONSE

- a. Yes, among others.
- b. I was the analyst tasked to update the R90-1 nonstandard surcharge library reference. I reviewed the methodology of that study and modified it to use the information of cost by shape presented in LR-H-106. I continued to use the mix of shapes that was used in Docket No. R90-1. I requested the production of mail flow cost models of manual letter mail processing. I considered including the extra cost of delivering nonstandard pieces, but did not because of time constraints and because the surcharge was already much larger. I shared the results with witness Fronk. I requested assistance in writing the text and presenting the results of the library reference. Finally, I reviewed the written draft of the library reference and arranged for copies of the library reference to be made and included in the filing.
- c. No.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC., 2501  
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)

**NDMS/USPS-T29-2.**

- a. Prior to preparing the updated study contained in LR-H-112, were you or any of the other authors of the study aware that the Commission described the original version of the same study as "distorted by the inability to exclude costs pertaining to first-class mail over one ounce which is not being subject to a surcharge?" (*Opinion and Recommended Decision*, Docket No. MC73-1, note 1, pp. 25-26.)
- b. If you or any of the other authors of the study were aware of the Commission's criticisms, please describe all concepts that were considered to take the Commission's position into account, and explain why each was rejected.

**RESPONSE**

a-b. I did not read, nor was I aware of, the cited passage from Docket No. MC73-1 prior to working on LR-H-112; however, I would note that the Commission was satisfied with the *Nonstandard Surcharge Library Reference* presented in Docket No. R90-1 upon which the analysis in this docket is based. In its *Opinion and Recommended Decision*, the Commission noted:

It is satisfying to observe that in this case the Service has provided solid information on the comparative costs of standard and nonstandard First-Class pieces. We note also that, while the finding of 11 cents additional cost adequately anticipates the automated processing environment expected in the test year, the 10-cent surcharge balances the goals of recovering the corresponding cost while not reflecting the over-optimistic view of cost savings from post-test-year ABC sequencing. We find that the 10-cent surcharge will also continue to encourage use of standardized mail pieces, consistent with the Service's automation and related productivity goals.

PRC Op. R90-1, Vol. 1 at V-15 [para. 5035].

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,  
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)**

2502

**NDMS/USPS-T29-3.** Does the Postal Service have a mail flow model (or models) for estimating the cost of processing Standard A parcels, similar to the models used to estimate the mail processing cost for Standard A letters and flats?

- a. If so, please provide a copy or reference to where all such models can be found, along with current data on unit costs.
- b. If not, please explain why, under the circumstances of this case and the proposed surcharge, the Postal Service has not developed such a model.

**RESPONSE**

No.

- a. N/A
- b. Please see witness Crum's response to NDMS/USPS-T28-19.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS

2503

Revised 10/6/97

**NFN/USPS-T29-1**

What were the amounts and proportions of modelled and non-modelled costs for  
a. bulk rate commercial carrier route (and ECR after MC95-1), and  
b. the "other" rate category in Standard A commercial (BRR) and for both nonprofit carrier route and "nonprofit other" in the following periods or cases (rate regimes):

- (i) MC95-1 for commercial third class Before Rates and Standard (A) After Rates (BRR); substitute ECR for CR after MC95-1
- (ii) MC96-2 for nonprofit; and
- (iii) in R97-1 the proportional and fixed parts of non-modelled costs for these four rate categories (commercial CR and other and nonprofit CR and other, all within Standard (A)).

**RESPONSE:**

a. The costs for bulk rate commercial carrier route (and ECR after Docket No. MC95-1) rate categories were not developed using modelled and non-modelled costs in any of the above mentioned dockets. BRR Carrier Route was, and ECR is, developed using a strictly CRA based analysis.

b. I assume that "non-modelled" costs refers to the difference in the Standard A letter mail processing modeled cost and the Standard Mail A letter mail processing CRA costs, to which I as the CRA adjustment in my testimony in this docket.

In Docket Nos. MC95-1 and MC96-2, a "non-modelled cost factor," or the ratio of modeled Standard A letter mail processing costs to total CRA Standard A letter mail processing costs for non-carrier route categories, was applied 100 percent proportionately to modeled costs. Data did not exist in a way to allow the identification of "modeled" CRA costs, i.e., those that are expected to vary with worksharing, and "nonmodeled" CRA costs, i.e., those that are not expected to vary with worksharing.

The term "non-modelled" costs may be a bit misleading in this docket, since a reconciliation factor is used to adjust the costs from the mailflow models to comparable pools of "modeled" CRA costs. CRA cost pools that were not modeled and are not

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2504  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS

Revised 10/6/97

expected to vary with worksharing are distributed to the modeled costs as a fixed constant.

With this in mind,

- (i) Standard A commercial (BRR): The modeled costs were 63 percent of the total CRA mail processing costs in Docket No. MC95-1. All of the remaining 37 percent "non-modeled" costs were distributed in proportion to modeled costs in Docket No. MC95-1.
- (ii) Standard A Nonprofit: The modeled costs were 90 percent of the total CRA mail processing costs in Docket No. MC96-2. All of the remaining 10 percent "non-modeled" costs were distributed in proportion to model costs in Docket No. MC96-2.
- (iii) Standard A Regular: The modeled cost are **81.2** percent of the total CRA mail processing cost for Standard A Regular letters in Docket No. R97-1. The ratio of mailflow modeled costs (**4.3182** cents) to comparable CRA costs which are expected to vary with work sharing (**4.5452** cents) is **95** percent. The remaining **0.7726** cent, or **14.5** percent of the total CRA costs, which was not modelled and is not expected to vary with worksharing, is distributed to the modeled costs in constant, or fixed, amounts.

Standard A Nonprofit: The modeled cost are **109** percent of the total CRA mail processing cost for Standard A Nonprofit letters in R97-1. The ratio of mailflow modeled costs (**5.0487** cents) to comparable CRA costs that are expected to vary with work sharing (**4.0960** cents) is **81** percent. The remaining **0.5340** cent, or **11.5** percent of the total CRA costs, which was not modelled and is not expected to vary with worksharing, is distributed to the modeled costs in constant, or fixed, amounts.

"Modelled" and "nonmodelled" costs do not apply to Standard A ECR and Nonprofit ECR. See response to NFN/USPS-T29-1(a).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2505  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS**

Revised 10/6/97

**NFN/USPS-T29-2**

- a. Please confirm that in your Mail Processing Proportional and Fixed Analysis, USPS-29B, p.2 of 2, you use the following figures: .748, .002, .013, .041 (see part (b)).
- b. Also confirm that in Lib. Reference H-106 worksheet "Lett.pgbf" in the column labelled "Third Class Nonprofit Other," you use the figures: .734, .002, .013, .040. The entire 46 element vectors for USPS 29B and LR H-106 lett.pgbg are given as Attachment 1 to this question.
- c. Which set of figures is correct?
- d. Where in your workpapers or Library Reference is the exact source of the proportional and fixed figures in used [sic] in USPS-29B?

**RESPONSE:**

- a. The figures on USPS-29B, p.2 of 2, were revised on 10/1/97 to match those reported in LR-H-106 and cited in part b of this interrogatory.
- b. Confirmed.
- c. USPS LR-H-106 is correct. An error was made in Exhibit USPS-29B and a correction to that exhibit will be filed in conjunction with other changes.
- d. The citation in subpart b is correct.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS**

**NFN/USPS-T29-3**

- a. Please confirm that your analysis extending the work of witnesses Smith and Takis in MC95-1 attempts to obtain more realistic results on the analysis of "nonmodelled costs."
- b. Please confirm that you posit that part of nonmodelled cost is directly proportional to modelled costs and that you use witness Degen's analysis of MODS-based cost pools to estimate this.
- c. Please also confirm that the final part of non modelled cost is simply a per piece charge (or cost) not proportional to modelled cost.
- d. Please confirm that some of the costs not related to worksharing or otherwise arguable proportional to modelled cost are cost incurred in moving containers in BMC's.

**RESPONSE:**

- a. The separation of nonmodelled costs into proportional and fixed components better reflects costs avoided due to worksharing-related activities.
- b. I apply the ratio of modeled cost to a subset of witness Degen's MODS cost pools proportionately to modeled cost.
- c. Cost pools that are not expected to vary with prebarcoding or presorting and are therefore not modeled are added as a fixed per piece cost to the modeled cost.
- d. Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO 2507  
INTERROGATORIES OF NATIONAL FEDERATION OF NONPROFITS**

**NFN/USPS-T29-4**

Please consider the following hypothetical.

On one day a subclass of mail is transported across the workroom floor in a BMC in an Eastern Regional Mail Container (ERMC) as part of a total 3000 pieces.

On another day another piece of this subclass is transported for the 15 minutes required in the same ERMC but there is more mail that day, 60,000 pieces.

Please confirm that postal workers cost the USPS \$24.445 per hour in the Test Year (USPS-T-29, Appendix III, p.3 of 434).

Please confirm that the calculated cost per piece under the wage rate and volumes mentioned approximate 2 mills in the first case and 0.1 mill per piece in the second case.

Would you say that these pieces impose roughly a constant charge or cost per piece on the USPS?

**RESPONSE:**

The average wage rate of \$24.445 per hour in the Test Year is confirmed. The calculated cost per piece under the wage rate and volumes mentioned and assuming 15 minutes in both cases is confirmed. Since it costs more per piece to move a container with only 3,000 pieces than 60,000 pieces, all else equal, I would not agree that the pieces in this example impose a constant, or equal, cost per piece on the USPS. This example illustrates that it is appropriate to designate the MODS cost pools associated with container handlings at BMCs as fixed since it has nothing to do with the worksharing categories of prebarcoding or presorting in my models.

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

2508

OCA/USPS-T29-1. Please refer to USPS-29C. Please provide citations to page and line number for each of the footnotes in that exhibit. If you are referring to a spreadsheet, please provide the sheet name, row and column.

**RESPONSE:**

**USPS-29C Page 1 of 6 First-Class Unit Cost Estimates**

Mail Processing Costs

*Letters*

Single Piece	USPS LR-H-106 Page II-5, file name "CSTSHAPE.XLS" worksheet name "TY Lett Pgbk" Cell Reference "C59"
Bulk Metered	USPS LR-H-106 Page II-10, file name "CSTSHAPE.XLS" worksheet name "METER" Cell Reference "K60"
Presort	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F8"
Automation, Basic	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F9"
Automation, 3-Digit	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F10"
Automation, 5-Digit	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F11"
Automation, Carrier Route	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F13"

*Cards*

Single Piece	USPS LR-H-106 Page II-9, file name "CSTSHAPE.XLS" worksheet name "FCM Cards" Cell Reference "W38"
Presort	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F20"
Automation, Basic	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F21"
Automation, 3-Digit	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F22"
Automation, 5-Digit	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F23"
Automation, Carrier Route	USPS-T-25 Exhibit USPS-25A page 1 of 3, file name "1C Pricing" worksheet name "Exhibit A 1" cell reference "F25"

*Flats and Parcels*

Single Piece	The formula for calculating this weighted average uses the cost from USPS LR-H-106 Page III-5, file name
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RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

2509

"CSTSHAPE. XLS" worksheet name "TY Flats Pgbk" Cell Reference "C59" times the volume in cell "C62" plus the cost from Page IV-5, worksheet name "TY Parcel Pgbk" cell "C59" times the volume in cell "C62."

Presort USPS-T-26 page 5 Table III-1 First-Class Flats Volume Variable Mail Processing Costs line 3

Automation, Basic USPS-T-26 page 5 Table III-1 First-Class Flats Volume Variable Mail Processing Costs line 1

Automation, 3/5-Digit USPS-T-26 page 5 Table III-1 First-Class Flats Volume Variable Mail Processing Costs line 2

Delivery Costs (some number are slightly different - a corrected page will be filed)

*Letters*

Single Piece USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I12"

Bulk Metered USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I16"

Presort USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I16"

Automation, Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I21"

Automation, 3-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I27"

Automation, 5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I31"

Automation, Carrier Route USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I35"

*Cards*

Single Piece USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I14"

Presort USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I18"

Automation, Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I25"

Automation, 3-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I29"

Automation, 5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I33"

Automation, Carrier Route USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I37"

*Flats and Parcels*

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

Single Piece	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I12"
Presort	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I23"
Automation, Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I23"
Automation, 3/5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGR.R.WK3" worksheet name "O" Cell Reference "I23"

**USPS-29C Page 2 of 6 Standard Regular & ECR Unit Cost Estimates (for discounts)**

Mail Processing Costs

*Letters Regular*

Basic	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I15"
3/5-Digit	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I20"
Automation Basic	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I6"
Automation 3-Digit	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I8"
Automation 5-Digit	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I10"

*Letters Enhanced Carrier Route*

Automation Basic	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD RR MIG'!H18 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj"!G17"
Basic	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD RR MIG'!H19 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj"!G17"
High Density	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD RR MIG'!H20 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj"!G18"
Saturation	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD RR MIG'!H21 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj"!G18"

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

*Flats or Nonletters Regular*

Basic USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 7

3/5-Digit USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 8

Automation Basic USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 5

Automation 3/5-Digit USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 6

*Flats or Nonletters Enhanced Carrier Route*

Basic Formula using figures from Exhibit USPS-29C worksheet and cell  
'STANDARD RR MIG!H34 plus Exhibit USPS-29D filename  
"USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj!G29"

High Density Formula using figures from Exhibit USPS-29C worksheet and cell  
'STANDARD RR MIG!H35 plus Exhibit USPS-29D filename  
"USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj!G30"

Saturation Formula using figures from Exhibit USPS-29C worksheet and cell  
'STANDARD RR MIG!H36 plus Exhibit USPS-29D filename  
"USPS29D.XLS" worksheet and cell "RR ECR Drpshp Adj!G30"

Delivery (some numbers are slightly different - a corrected page will be filed)

*Letters Regular*

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I95"

3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I97"

Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I69"

Automation 3-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I73"

Automation 5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I77"

*Letters Enhanced Carrier Route*

Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I79"

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I82"

High Density USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGR.R.WK3" worksheet name "O" Cell Reference "I86"

Saturation USPS-T-18 Exhibit USPS-18A page 6 of 6 filename

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
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"DISAGRR.WK3" worksheet name "O" Cell Reference "I90"

*Flats or Nonletters Regular*

Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I99"
3/5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I99"
Automation Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I70"
Automation 3/5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I75"

*Flats or Nonletters Enhanced Carrier Route*

Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I84"
High Density	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I88"
Saturation	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGRR.WK3" worksheet name "O" Cell Reference "I92"

**USPS-29C Page 3 of 6 Standard Regular & ECR Unit Cost Estimates (for  
Migrating Mail)**

Mail Processing Costs

*Letters Regular*

Automation Basic	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I6"
Automation 3-Digit	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I8"
Automation 5-Digit	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I10"
100% DBCS dropship like ECR	Total mail processing model costs from USPS-T-29 Appendix I page 7 (3.372) minus the figure in Exhibit USPS-29D file name "USPS29D.XLS" worksheet and cell "RR Migration!G20."
Basic	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I15"
3/5-Digit	USPS-T-29 Exhibit USPS-29A page 1 of 1 filename "APP1_RR.XLS" worksheet name "Summary" Cell Reference "I20"

*Letters Enhanced Carrier Route*

Automation Basic	Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "RR ECR TY!M7"
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RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

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Basic Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"RR ECR TY!M8"  
High Density Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"RR ECR TY!M9"  
Saturation Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"RR ECR TY!M10"

*Flats or Nonletters Regular*

Automation Basic USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 1  
Automation 3/5-Digit USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 2  
Basic USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 3  
3/5-Digit USPS-T-26 Page 8 Table III-4 Standard Mail (A) Regular Flats  
Unit Volume Variable Mail Processing Costs Row 4

*Flats or Nonletters Enhanced Carrier Route*

Basic Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"RR ECR TY!M12"  
High Density Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"RR ECR TY!M13"  
Saturation Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"RR ECR TY!M14"

Delivery (some numbers are slightly different - a corrected page will be filed)

*Letters Regular*

Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I69"  
Automation 3-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I73"  
Automation 5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I77"  
100% DBCS dropship like ECR USPS-T-29 Appendix I page 7 filename "APPI\_RR.XLS"  
worksheet name "Automation 5-Digit 100% DBCS Costs" cell  
reference "C53"  
Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I95"  
3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I97"

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

*Letters Enhanced Carrier Route*

Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I79"

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I82"

High Density USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I86"

Saturation USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I90"

*Flats or Nonletters Regular*

Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I70"

Automation 3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I75"

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I99"

3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I99"

*Flats or Nonletters Enhanced Carrier Route*

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I84"

High Density USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I88"

Saturation USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I92"

Transportation The figures in footnote 5 are from USPS-29C Page 6 of 6 filename  
"USPS29C.XLS" worksheet "Other" cell reference "L10" times 100  
plus "L11" times 100 divided by the sum of cell reference "E10" and  
"E11"

Other The figures in footnote 6 are from USPS-29C Page 6 of 6 filename  
"USPS29C.XLS" worksheet "Other" cell reference "M10" times 100  
plus "M11" times 100 divided by the sum of cell reference "E10"  
and "E11"

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

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**USPS-29C Page 4 of 6 Standard Nonprofit & NPECR Unit Cost Estimates (for discounts)**

Mail Processing Costs

*Letters Nonprofit*

Basic	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APIII_NP.XLS" worksheet name "Summary" Cell Reference "I15"
3/5-Digit	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APIII_NP.XLS" worksheet name "Summary" Cell Reference "I20"
Automation Basic	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APIII_NP.XLS" worksheet name "Summary" Cell Reference "I6"
Automation 3-Digit	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APIII_NP.XLS" worksheet name "Summary" Cell Reference "I8"
Automation 5-Digit	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APIII_NP.XLS" worksheet name "Summary" Cell Reference "I10"

*Letters NP Enhanced Carrier Route*

Automation Basic	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG'!H18 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj"!G17"
Basic	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG'!H19 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj"!G17"
High Density	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG'!H20 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj"!G18"
Saturation	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG'!H21 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj"!G18"

*Flats or Nonletters Nonprofit*

Basic	USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats Unit Volume Variable Mail Processing Costs Row 7
3/5-Digit	USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats Unit Volume Variable Mail Processing Costs Row 8
Automation Basic	USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats Unit Volume Variable Mail Processing Costs Row 5
Automation 3/5-Digit	USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats Unit Volume Variable Mail Processing Costs Row 6

*Flats or Nonletters NP Enhanced Carrier Route*

Basic	Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG'!H34 plus Exhibit USPS-29D filename
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**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

High Density	"USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj!G29" Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG!H35 plus Exhibit USPS-29D filename
Saturation	"USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj!G30" Formula using figures from Exhibit USPS-29C worksheet and cell 'STANDARD NP MIG!H36 plus Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR Drpshp Adj!G30"

Delivery (some numbers are slightly different - a corrected page will be filed)

*Letters Nonprofit*

Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I38"
3/5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I40"
Automation Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I12"
Automation 3-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I16"
Automation 5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I20"

*Letters Nonprofit Enhanced Carrier Route*

Automation Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I22"
Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I25"
High Density	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I29"
Saturation	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I33"

*Flats or Nonletters Nonprofit*

Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I42"
3/5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I42"
Automation Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I14"
Automation 3/5-Digit	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I18"

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

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*Flats or Nonletters NP Enhanced Carrier Route*

Basic	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I27"
High Density	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I31"
Saturation	USPS-T-18 Exhibit USPS-18A page 6 of 6 filename "DISAGNP.WK3" worksheet name "I" Cell Reference "I35"

**USPS-29C Page 5 of 6 Standard Nonprofit & NPECR Unit Cost Estimates (for  
Migrating Mail)**

Mail Processing Costs

*Letters Nonprofit*

Basic	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APP1_NP.XLS" worksheet name "Summary" Cell Reference "I15"
3/5-Digit	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APP1_NP.XLS" worksheet name "Summary" Cell Reference "I20"
Automation Basic	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APP1_NP.XLS" worksheet name "Summary" Cell Reference "I6"
Automation 3-Digit	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APP1_NP.XLS" worksheet name "Summary" Cell Reference "I8"
Automation 5-Digit	USPS-T-29 Exhibit USPS-29B page 1 of 1 filename "APP1_NP.XLS" worksheet name "Summary" Cell Reference "I10"

100% DBCS dropship like NPECR Total mail processing model costs from USPS-T-29 Appendix III  
page 7 (2.61) minus the figure in Exhibit USPS-29D file name  
"USPS29D.XLS" worksheet and cell "NP Migration"!G20."

*Letters NP Enhanced Carrier Route*

Automation Basic	Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR TY"!M7"
Basic	Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR TY"!M8"
High Density	Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR TY"!M9"
Saturation	Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell "NP ECR TY"!M10"

*Flats or Nonletters Nonprofit*

Automation Basic	USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats Unit Volume Variable Mail Processing Costs Row 1
Automation 3/5-Digit	USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats Unit Volume Variable Mail Processing Costs Row 2

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

2518

Basic USPS-T-26 Page 9 Table III-5 Standard Mail (A) Nonprofit Flats  
Unit Volume Variable Mail Processing Costs Row 3  
3/5-Digit USPS-T-26 Page 9 Table III-5 Standard Mail (A) Noprofit Flats  
Unit Volume Variable Mail Processing Costs Row 4

*Flats or Nonletters NP Enhanced Carrier Route*

Basic Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"NP ECR TY!M12"  
High Density Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"NP ECR TY!M13"  
Saturation Exhibit USPS-29D filename "USPS29D.XLS" worksheet and cell  
"NP ECR TY!M14"

Delivery (some numbers are slightly different - a corrected page will be filed)

*Letters Nonprofit*

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I95"  
3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I97"  
Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I69"  
Automation 3-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I73"  
Automation 5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I77"  
100% DBCS dropship like ECR USPS-T-29 Appendix III page 7 filename "APIII\_NP.XLS"  
worksheet name "Automation 5-Digit 100% DBCS Costs" cell  
reference "C53"

*Letters NP Enhanced Carrier Route*

Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I79"  
Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I82"  
High Density USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I86"  
Saturation USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I90"

*Flats or Nonletters Nonprofit*

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I99"

RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE

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3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I99"  
Automation Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I70"  
Automation 3/5-Digit USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I75"

*Flats or Nonletters NP Enhanced Carrier Route*

Basic USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I84"  
High Density USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I88"  
Saturation USPS-T-18 Exhibit USPS-18A page 6 of 6 filename  
"DISAGRR.WK3" worksheet name "O" Cell Reference "I92"

Transportation The figures in footnote 5 are from USPS-29C Page 6 of 6 filename  
"USPS29C.XLS" worksheet "Other" cell reference "L13" times 100  
plus "L14" times 100 divided by the sum of cell reference "E13" and  
"E14"

Other The figures in footnote 6 should be from USPS-29C Page 6 of 6  
filename "USPS29C.XLS" worksheet "Other" cell reference "M13"  
times 100 plus "M14" times 100 divided by the sum of cell  
reference "E13" and "E14" (see response to ANM/USPS-T29-6)

**USPS-29C Page 6 of 6 Development of "Other" Costs**

Total Attributable Costs [1] Exhibit USPS-15F "FINAL ADJUSTMENTS TEST  
YEAR 1998 CURRENT RATES WITH WORKYEAR  
MIX ADJUSTMENT" Page 1, Column 3, Rows 16,  
15, 19 and 18

Volumes [2] Exhibit USPS-15G "COST AND REVENUE  
ANALYSIS TEST YEAR 1998 CURRENT RATES  
WITH WORKYEAR MIX ADJUSTMENT" Page 18,  
Columns 3 and 2, Row 7 and Page 19 Columns 3  
and 2, Row 7

Mail Processing Direct Labor [3] Exhibit USPS-15E "COST SEGMENTS AND  
COMPONENTS TEST YEAR 1998 CURRENT  
RATES WITH WORKYEAR MIX ADJUSTMENT"  
Page 19, Column 1, Rows 16, 15, 19 and 18

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

- Mail Processing Piggyback [4] USPS LR-H-77 Page 41 lines 18, 17, 21, and 20.
- Delivery C/S 6&7 [5] Exhibit USPS-15E "COST SEGMENTS AND COMPONENTS TEST YEAR 1998 CURRENT RATES WITH WORKYEAR MIX ADJUSTMENT" Page 1, Column 5, Rows 16, 15, 19 and 18
- Delivery Piggyback [6] USPS LR-H-77 Page 87 lines 18, 17, 21, and 20.
- Delivery C/S 10 [7] Exhibit USPS-15E "COST SEGMENTS AND COMPONENTS TEST YEAR 1998 CURRENT RATES WITH WORKYEAR MIX ADJUSTMENT" Page 3, Column 2, Rows 16, 15, 19 and 18
- Delivery Piggyback [8] USPS LR-H-77 Page 138 lines 18, 17, 21, and 20.
- Transportation [9] Exhibit USPS-15E "COST SEGMENTS AND COMPONENTS TEST YEAR 1998 CURRENT RATES WITH WORKYEAR MIX ADJUSTMENT" Page 3, Column 6, Rows 16, 15, 19 and 18

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

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**OCA/USPS-T29-2.** Please refer to Appendices I and III, page 43, footnotes 1-4.

- a. Please confirm that in each formula in footnotes 2 - 4 the operation should be division and not multiplication. If you do not confirm, please explain fully.
- b. Please fully define the term "Realization Factor" and explain its significance to your analysis. What is the economic interpretation of this term?
- c. Please provide the sources for the "Realization Factor" of 85 percent and each of the "Volume Variability" figures in the footnotes.
- d. Would substitution of 100 for each of the volume variability figures on those pages result in unit cost estimates comparable to those obtained in MC95-1. Please explain fully.

**RESPONSE:**

- a. Confirmed.
- b-c. The term "Realization Factor" was used in this instance to convey that an adjustment had been made. The underlying reason for the adjustment is described in Witness Hatfield's testimony on page 9 of Appendix I lines 3-6. The source of the "volume variability" figures is USPS-T-12, Table 4.
- d. Substitution of 100 percent, or one, for each of the volume variability figure would result in the same *productivity* used in Docket No. MC95-1, but the change in these variabilities alone would not result in unit cost estimates directly comparable to those obtained in MC95-1 because many other factors have changed (for instance volume variable percentages different from one have been used for the other productivities as well). There also have been other changes in methodology since MC95-1. Please see my responses to ANM/USPS-T29-10 - 11.

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF OFFICE OF THE CONSUMER ADVOCATE**

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**OCA/USPS-T29-3.** Please refer to your exhibits 29A and 29B, page 2.

- a. Please define fully the terms "Total," "Proportional," and "Fixed."
- b. Please provide the citations to spreadsheet title, column, and row of Library Reference H-106 for each of the numbers on these pages. If these numbers are calculated, please show all calculations.

**RESPONSE:**

- a. "Total" includes the costs for each of the CRA cost pools found in LR-H-106. "Proportional" includes those cost pools which have been deemed related to presort and prebarcoding (worksharing) activities. "Fixed" includes those cost pools which are not expected to vary with prebarcoding or presorting. As an equation, "Total" = "Proportional" + "Fixed".
- b. The source of the figures in USPS LR-H-106 is the file entitled "CSTSHAPE.XLS" worksheet entitled "TY Lett Pgbk" column J for Regular (Exhibit USPS-29A) and L for nonprofit (Exhibit USPS-29B), rows 9-59. The figures reported in Exhibits USPS-29A and USPS-29B, however, differ slightly from those reported in USPS LR-H-106. A correction to my exhibits will be filed.

OCA/USPS-T29-4. Please refer to your direct testimony. At page 2 you state: "Exhibits USPS-29D and USPS-29C develop and summarize the mail processing and delivery costs of a subset of existing ECR and NPECR Basic letters that are projected to migrate to the RR and NP Automation 5-Digit categories." [footnote 5 omitted]

- a. On what basis was the migration projection made? If the basis for the projection is a library reference or testimony of another witness, please give a specific citation along with your explanation.
- b. You refer in footnote 5 to the models for migrating ECR and NPECR Basic developed on page 7 of Appendices I and III to your testimony. Confirm that these are letters that would ordinarily be processed as Automation ECR and NPECR Basic but because they are processed at sites that do not have that capability they will be processed DBCS. If not confirmed, please explain.
- c. Does the migration discussed above involve an additional sortation? If so, where are the costs for this sortation accounted for? And, if so, describe the actual operations that are performed.

**RESPONSE:**

- a. The migration projection was made in USPS LR-H-172. It is my understanding that this migration is based on a price incentive for ECR Basic category mailers that would have the density to qualify for Regular Automation 5-Digit.
- b. Not confirmed. Migrating letters are presently entered as ECR Basic and NPECR Basic categories, and are currently processed as other ECR Basic or NPECR Basic letters, not necessarily as Automation ECR, which is processed on CSBCSs or manually. The letters that would migrate presently have carrier route density and would need to be barcoded, but would not migrate to Automation ECR and Automation NPECR because they would destinate at sites where delivery point sequencing is performed on DBCS equipment.
- c. The migrating mail will incur an incoming secondary sort on a DBCS as modeled in Appendices I and III pages 7 and 8.

OCA/USPS-T29-5. At page 5 you state that "45 percent of RR letters found in non-OCR upgradable trays, which must be bundled, did not fail any [of] the physical characteristics required of OCR upgradability. For purposes of this testimony, these pieces are considered to be automation compatible . . . ." You also refer the reader to Appendix I, page 37.

- a. What is the actual volume represented by this category? Please give specific references to Appendix I, page 37, or other sources.
- b. Please describe in detail the actual operations that are performed with this mail. For example, does some sort of additional sortation take place to enable such mail to be made automation compatible? If so, please describe the costs involved.
- c. Please refer to page 37 of Appendix I. Please spell out the acronyms MAADC, AADC, MADC and ADC, and describe the different operations involved.

**RESPONSE:**

- a. According to USPS LR-H-105, the number of Standard A Regular letters in non-OCR upgradable trays which did not fail any of the physical characteristics of OCR upgradability is 1,674,402,834. The exact reference is filename "API\_RR.XLS," worksheet name "RR Reclass," cell reference "L31."
- b. Since this mail is bundled, it incurs bundle sorting costs as modeled in Appendix II. Otherwise, it is processed in the same manner as letters presented in upgradable trays.
- c. MAADC is an acronym for Mixed Automated Area Distribution Center. Letters presented in trays at this level need to receive an outgoing primary sortation to sort the mail to a finer level, such as AADC, SCF, 3-Digit or 5-Digit. Since letters in MAADC trays are candidates for automated processing (either prebarcoded or upgradable) they are not bundled and therefore will not need bundle sorting. AADC is an acronym for Automated Area Distribution Center. Letters presented in trays at this level are sorted on an AADC sort scheme which is designed to sort mail to a finer level, such as SCF, 3-Digit or 5-Digit. Since letters in AADC trays are candidates for automated processing (either prebarcoded or upgradable) they are not bundled and will not need bundle sorting.

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MADC is an acronym for Mixed Area Distribution Center. Letters presented in trays at this level receive either an outgoing primary sortation or bundle sortation for a finer depth of sort, such as ADC, SCF, 3-Digit or 5-Digit.

ADC is an acronym for Area Distribution Center. Letters presented in trays at this level are sorted on an ADC sort scheme or receive bundle sortation for a finer depth of sort, such as SCF, 3-Digit or 5-Digit.

OCA/USPS-T29-8. Your testimony on pages 19-20 discusses the proposed rate initiative of a customer barcoding discount for Standard B machinable parcels bearing mailer-applied, postal certified barcodes. On page 22, you state that the Package Barcode System, which became fully operational in 1993, was designed with the capability to sort properly barcoded machinable parcels at rates in excess of 2800 pieces per hour. You further state:

"Therefore, the savings generated by mailer-applied barcodes to nonpresorted machinable parcels are calculated as the cost of keying a parcel once, plus ribbon and label costs, less the cost of scanning a customer barcoded parcel once. This testimony compares the cost of pure keying and the cost of pure scanning to determine savings in connection with customer barcoding. [footnotes omitted] The costs summarized in Exhibit USPS-29E on page 6 assume that once the PBCS has applied a barcode to a keyed parcel in the primary, all other subsequent operations have the same costs regardless of whether the mailer or the Postal Service applied the barcode. The accuracy of postal-applied (keyer) barcodes versus the accuracy of mailer-applied barcodes could not be quantified at this time. It seems likely, however, that list-generated mailer-applied barcodes would be more accurate than keyer-generated barcodes, because the chance of human error is greater in the latter circumstance."

- a. Where in Exhibit 29E or in your analysis generally do you account for any extra costs associated with barcoding-related errors occurring during the sortation process (e.g., inaccurately applied barcodes)? If you do take such costs into account, please describe your methodology and any quantification process you employ. If you do not, why not?
- b. Confirm that in your savings analysis you assume non-barcode parcels are keyed once. If not confirmed, please explain.
- c. Upon what empirical basis is the assumption in (b) made? Is there any evidence that a certain percentage of non-barcode parcels is keyed more than once? Describe any such evidence.
- d. Confirm that you assume barcode parcels are scanned once. If not confirmed, please explain.
- e. Upon what basis is the assumption in (d) made? Is there any evidence that a certain percentage of barcode parcels is scanned more than once? Describe any such evidence.
- f. Footnote 60 on page 20 states that your testimony uses the average annual rate of 806 pieces per hour achieved in FY93 (before PBCS). Has any analysis been made of the rate under PBCS? If so, please supply it. If not, why not? And, if not, please give an estimate of the rate.

- g. Your savings analysis includes "ribbon and label costs." See Table 4. Please describe the nature of the operation requiring ribbon and label costs to be considered. Also explain whether you include direct labor costs associated with ribbon and label costs, such as changing ribbons during operations, and indirect labor costs, such as procurement overhead costs, supply transportation costs, etc. Please also show how you derive ribbon/label costs of 0.5 cents.
- h. Please describe all operations involved with parcels when a barcoding error occurs (e.g., an improperly applied mailer barcode, and an improperly keyed Postal Service barcode). For example, what happens to the parcels in the mailstream that are improperly barcoded?
- i. How far into the mailstream do parcels go before errors are detected? Have any survey been conducted? If so, please supply them. If not, why not?
- j. How many additional sortations occur with improperly barcoded parcels?
- k. What are the costs of such extra sortations?
- l. Is there "loop mail" in the parcel mailstream? If so, what are the causes and costs of such mail.

**RESPONSE:**

- a. My testimony does not explicitly quantify costs associated with barcoding-related errors during the sortation process.
- b. My models assume non-barcoded parcels are keyed once in the primary and are scanned in the secondary.
- c. It is possible that some non-barcoded parcels are keyed more than once but this is the exception, not the rule. Specific empirical data are not available to quantify the frequency of this occurrence.
- d. Not confirmed. My models assume barcoded parcels are scanned once in the primary, and many parcels are scanned at least once again in the secondary.
- e. Most barcoded parcels are scanned more than once, as seen in the mail flow models in Appendix V. It is possible that some barcoded parcels are scanned more than once in the primary, but this is the exception, not the rule. Specific empirical data are not available to quantify the frequency of this occurrence.
- f. There is no national average of a "keying only" rate under PBCS because the PIRS productivity for the Primary Parcel Sorting Machine includes parcels that are both keyed and scanned. Productivities for separate barcoded and nonbarcoded

mailstreams are not tracked because barcoded and non-barcoded parcels are not worked separately.

g. If a parcel does not already have a barcode, a keyer on the PSM at the BMC keys the 5-Digit ZIP Code. The Package Barcoding System (PBCS) then applies an adhesive label with the correct barcode applied. The ribbon/label cost is an estimate from engineering. Spindles of labels are normally changed at the end of a tour by maintenance and these costs are captured in the PSM piggyback factor. Procurement overhead and supply transportation costs are institutional costs.

h. When detected, parcels which are improperly barcoded may be directed to a missort bin. The barcode is scratched out or the label is removed and the parcel is re-inducted to be keyed. If not detected at the BMC, the parcel will be sorted to the destination indicated by the barcode, and the the missort will likely be identified at that destination. If the missorted parcel is addressed to a delivery point outside the service area of the facility at which the missort is detected, the parcel may be sent back to the BMC. If the missorted parcel is addressed to a delivery point within the service area, it may be resorted manually.

i. Errors may be detected at any time from the first pass at the BMC to carrier distribution. To the best of my knowledge, no statistically representative survey has been conducted on missorts. BMCs are able to locally track how much mail is directed to the missort bin for diagnostic purposes.

j. The number of additional sortations can vary with improperly barcoded parcels.

k. The cost of such extra sortations would vary depending on when the missort was detected.

l. One example of how "loop mail" could occur is if the barcode is not completely obliterated and the parcel keeps being directed to the wrong address and sent back to the BMC. The costs of loop mail cannot be quantified because there are no data on the possible trails loop mail may follow.

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OCA/USPS-T29-9. What is the error rate associated with improperly applied mailer barcodes, and, separately, Postal Service applied barcodes?

- a. You suggest that the comparative accuracies cannot be quantified at this time. See page 20, lines 13-14. Please confirm. If not confirmed, please explain.
- b. In reference to (a), why cannot they be quantified at this time?
- c. When was the most recent study of these error rates conducted?
- d. What was the result of any such study?
- e. Please supply all studies and reports relating to the error rates discussed herein. Include reports generated by the Postal Service internally, by its consultants, or by outside entities such as GAO.
- f. Please supply all correspondence to mailers or groups of mailers (such as trade associations) relating to such error rates.

**RESPONSE:**

To the best of my knowledge, current data are not available on error rates associated with improperly applied mailer barcodes, and, separately, Postal Service applied barcodes on Standard B parcels.

- a. Confirmed that relative accuracy of mailer-applied versus postal-applied barcodes cannot be quantified at this time.
- b. Error rates are not usually tracked separately for mailer-applied versus postal-applied barcodes. Mechanisms exist to monitor keyer accuracy or to identify situations in which too many parcels are being directed to the missort bin. Tests of barcode accuracy are conducted at BMCs for diagnostic purposes only, and are not a routine function; data of this type are not tracked or rolled up.
- c. To the best of my knowledge, nationally representative studies of error rates for mailer barcodes, and, separately, Postal Service applied barcodes on Standard B parcels have not conducted.
- d. N/A
- e. BMCs do not generate error reports to the level of detail requested in this question, *i.e.*, postal-applied versus mailer-applied barcodes.
- f. I have called responsible personnel at two BMCs and at Headquarters and asked for responsive documents, and was advised that BMCs notify customers orally if

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problems are detected reading those customers' prebarcoded Standard (B) parcels.

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OCA/USPS-T29-10. You state your assumption on page 20 that list-generated mailer-applied barcodes are more accurate than keyer-generated barcodes because the chance of human error is greater in the latter circumstance.

- a. Please confirm. If not confirmed, please explain.
- b. If confirmed, what empirical evidence do you have for such an assumption?

**RESPONSE:**

a.-b. In my testimony, I state that "*It seems likely, however,* that list-generated mailer applied barcodes would be more accurate than keyer-generated barcodes, because the chance of human error is greater in the latter circumstance" (emphasis added). Since no empirical evidence is available to prove this, I could not explicitly account for it in my analysis.



**UPS/USPS-T29-1.** Please refer to page 5, Appendix V. Explain the difference between Inter-BMC Secondary Scheme 1 and Secondary Scheme 2. Please also explain what factors (mail volume, parcel characteristics, machine availability, etc.) determine which of the sort routines parcels undergo.

**RESPONSE:**

Since sortation requires more separations than the number of available bins on the machines, different schemes, or sort plans, with different ZIP Code ranges in the BMCs service area, are run on the same type of parcel sorting machine. Therefore, the two secondary schemes represent different ZIP Code groupings for a BMC service area. The destination ZIP Code of the parcel determines the sort routine on which the parcel will be finalized. As shown on page 5 of Appendix V, for parcels sorted first on primary and requiring secondary sortation, the primary sort is able to sort parcels to the appropriate secondary scheme. Parcels sent directly to secondary, however, are not necessarily presorted according to scheme.

**UPS/USPS-T29-2.** Please refer to your testimony at page 15, footnote 51.

(a) Please explain on what basis you assume that "50 percent of the parcels [at destinating BMCs] are inducted directly to the secondary."

(b) Please explain on what basis you assume that "50 percent of the parcels finalized on the secondary PSM are sorted to the 5-Digit level on the appropriate scheme and that the remaining 50 percent must be directed to the other scheme."

**RESPONSE:**

a. This assumption was provided to me from operations. The assumption that 50 percent of the parcels at the destinating BMC are inducted directly to the secondary is reasonable. First, not all BMCs have direct-to-secondary induction capability. Some BMCs can only induct into the secondary from the floor while others can induct directly to the secondary from the dock, or both. Whether the mail is in containerized unit loads or just bedloaded affects induction capability.

Second, there can be capacity constraints on the secondary so that inducting the mail on the primary, where sorting to the appropriate secondary scheme can take place, makes more sense. Some BMCs also do not have crossover capability such that mail inducted on one scheme can be routed, or crossed over, to the other secondary scheme or back to the primary.

Thus, the BMCs that have the capability and the capacity prefer to induct destinating, barcoded parcels directly to the secondary as much as possible. This is not always possible, however.

The model is not very sensitive to this assumption, in any event. For example, assuming 100 percent of the parcels are inducted directly to the secondary results in 1.59 parcel sorting machine sorts at a modeled cost of 3.6 cents per sort for a total of 5.72 cents. Assuming 0 percent of parcels are inducted directly to the secondary results in 1.83 parcel sorting machine sorts at a modeled cost of 3.6 cents per sort for a total of 6.72 cents. Assuming 50 percent of the parcels are inducted directly to the secondary results in 1.71 parcel sorting machine sorts at 3.6 cents per sort for a total of

6.16 cents. Thus, the variation is within about a half a cent (0.44 cents and 0.56 cents respectively.)

b. This assumption was provided to me by operations. The assumption that 50 percent of the parcels finalized on the secondary PSM are sorted to the 5-Digit level on the appropriate scheme and that the remaining 50 percent must be directed to the other scheme is reasonable because the schemes are usually designed to be balanced. The schemes try to even out the density to balance staffing. Therefore, the volume of parcels sorted on the first scheme should be about equal to the volume sorted on the second scheme and the probability of a parcel (that is not otherwise finalized on primary) designating on either scheme should be equal or 50 percent.

**UPS/USPS-T29-3.**

(a) Please confirm that Appendix V, page 16, cites USPS LR-H-131 as the source for the percentages used for "Mail Flow Arrival and Dispatch Profiles" for Machinable and Non-Machinable Parcels. If not confirmed, please explain.

(b) Please explain exactly from where in USPS LR-H-131 the percentages for Machinable Parcels are taken.

**RESPONSE:**

a. Library Reference H-131 is cited as the source for the Arrival Profile of machinable and nonmachinable parcel post, but Library Reference H-132 is cited as the source for the Dispatch profile for machinable and nonmachinable parcels. See Appendix V, page 16, notes 1 and 4.

b. The percentages for machinable parcels are based on the figures from page 26 of USPS LR-H-131 entitled "Table 1: Christensen Associates' BMC Parcel Survey Container Profile By Entry Origin, Percent of Parcel Post Pieces by Container Type." The table in the middle of the page is for machinable pieces. Since the survey did not distinguish between bedloaded loose pieces and bedloaded sacks or between pieces loose in OTRs and sacked in OTRs, my testimony uses the ratio in USPS Library Reference H-132 to adjust for this. Since approximately 40 percent of bedloaded items arriving at BMCs were sacks as seen in Attachment 2 Data, page 277, of Library Reference H-132,<sup>1</sup> my testimony takes 40 percent of the 11.3 percent bedloaded to determine the percent of bedloaded sacks (4.5 percent) and the percent of bedloaded loose parcels (6.8 percent). Also using the roughly 70/30 split of loose and sacked parcels arriving at BMCs in OTRs seen in Attachment 2 Data, page 277 of LR-H-132, my testimony takes 70 percent of 62.6 percent OTR to determine the percent loose in OTRs (43.8 percent) and 30 percent of 62.6 percent to determine sacks in OTRs (18.8 percent). The remainder, 24.6 percent, is the percent arriving in hampers/APC/OWC.

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<sup>1</sup> The arrival profile in USPS Library Reference H-132 is used only for the sack split and not the entire arrival profile because, unlike USPS LR-H-131, it is not subclass specific.

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**UPS/USPS-T29-4.** Under the Postal Service's proposal, would the non-machinable surcharge apply to non-machinable parcels which qualify for the OBMC discount? If not, why not?

**RESPONSE:**

My testimony is limited to costing issues, and does not cover pricing issues; however, it is my understanding that the nonmachinable surcharge applies to nonmachinable parcels that qualify for the OBMC discount.

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**UPS/USPS-T29-5.** Why doesn't some non-machinable surcharge apply to intra-BMC and DBMC shipments?

**RESPONSE:**

Please see the response to UPS/USPS-T37-7.

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**UPS/USPS-T29-6.** Please refer to USPS-T-16, Appendix I, page 11 of 13, and confirm that Inter-SCF costs are included in Parcel Post transportation costs. If not confirmed, please explain.

**RESPONSE:**

Confirmed.

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**UPS/USPS-T29-7.** Please confirm that your mail-flow models in USPS-T-29, Appendix V, pages 1, 5 and 6, assume that no Parcel Post volume is Inter-SCF. If not confirmed, please explain.

**RESPONSE:**

The models in my testimony do not include parcels moving from the origin P&DC directly to the destination P&DC, nor should my testimony model the case where parcels are on trucks that stop at several P&DCs on the way to or from a BMC. The parcels are not unloaded at P&DCs while in-route to or from the BMC.

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**UPS/USPS-T29-8.** What percentage of Parcel Post mail volume is Inter-SCF?

**RESPONSE:**

To the best of my knowledge, that information is not available.

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UPS/USPS-T29-9. What percentage of Parcel Post mail is not handled by a BMC?

**RESPONSE:**

To the best of my knowledge, this information is not available.

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**UPS/USPS-T29-10.** Please confirm that by omitting Parcel Post volume that is not handled at a BMC, you overstate (a) the barcode discount and (b) the Inter-BMC presort discount. If not confirmed, please explain.

**RESPONSE:**

- a) *I cannot confirm that by omitting Parcel Post volume that is not handled at a BMC, the barcode discount is overstated. Although the modeled cost difference would be lower if non-BMC volume were included, the inclusion of non-BMC volume would tend to increase nonmodel cost factor. These factors counterbalance each other; consequently, the barcode cost avoidance is not necessarily overstated.*
- b) *My testimony does not estimate the BMC presort cost avoidance; consequently, I have not overstated it..*

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UPS/USPS-T29-12. Please refer to USPS LR-H-131.

(a) Discuss the choice of June as the survey month, including but not limited to whether other months were considered and, if so, why they were not selected.

(b) Please discuss the decision to select a single month for the survey rather than sampling over several months.

(c) Please confirm that all nine sites included in the survey were sampled on the same days of the week (i.e., all sites were surveyed on Monday, Tuesday, and Friday of the survey week). If you cannot confirm, discuss the impact on the survey of differences in mail arrivals on different days.

(d) Please confirm that mail flow for a given day of the week into all BMCs is equivalent. (For example, is a typical Monday in Chicago equivalent to a typical Monday in Los Angeles?) If you cannot confirm, please further discuss the selection of the day of the week on which each survey was performed and how the selection of the day(s) might have affected the survey results.

(e) Please confirm that mail flow at BMCs does not change over the course of a month such that surveying one site in the early part of a month is equivalent to surveying another site in the later part of a month. If you cannot confirm, please discuss how mail flow is affected by monthly cycles and how those cycles might have affected the survey results.

(f) What procedures were followed to insure that the different teams sent to perform the surveys at the various BMCs were equally trained and skilled at collecting the necessary data? Please describe these procedures.

(g) How many BMCs are classified as large, how many are classified as medium, and how many are classified as small? Identify what BMCs are in each group.

(h) Please confirm that only two BMCs are classified as large and further confirm that both were surveyed.

(i) Please confirm that no sensitivity analysis was performed regarding the over-sampling of the large BMCs. If you cannot confirm, please provide and discuss the results of the sensitivity analysis performed.

(j) Please discuss whether there would be a significant difference in the results of the survey (including the large BMCs) as performed as compared to an analysis of large BMCs alone. Discuss the statistical ramifications of including the population (non-random) of large BMCs but only a sample of small and medium BMCs.

(k) Please confirm that no consideration was given to sampling all BMCs. If you cannot confirm, please discuss the decision to sample only nine.

**RESPONSE:**

(a) June 1996 was selected as the survey month for the BMC Parcel Survey because of time constraints. It was the only time that the survey could be done in order that

results could be produced within the time frame needed for the subsequent analyses on which these results were based.

- (b) The sample could not be drawn over several months because of time constraints given for the survey (see response to (a) above).
- (c) The survey sites were not sampled on the same days of the week. The days of the week that sample pieces were drawn were chosen so that different weekdays were sampled across the survey sites. For example, sample pieces were selected at one site on Monday, Tuesday, and Wednesday, at another site on Tuesday, Wednesday, and Friday, and at another site on Tuesday, Wednesday, and Thursday. Different days of the week were sampled across the sites to try to account for any possible bias in results that might have resulted by selecting all sample pieces on the same days of the week. We had no prior knowledge that there are definite patterns in mail flows across days of the week for BMCs, but by sampling on different weekdays across the survey sites, we attempted to control for any *potential* bias, and to capture mail flows on all weekdays. Sample inbound pieces could not be selected on all weekdays at each site, due to time and budget constraints. Since it is not certain if patterns in mail arrival flows exist, and what these patterns might be, no conclusions can be drawn on the impact any such patterns, if they exist, would have on the survey results.
- (d) We cannot confirm or deny that the mail flows into all BMCs for a given day of the week are equivalent. That is, there are no data available that would show that a typical Monday in Chicago is or is not equivalent to a typical Monday in Los Angeles, or even that there is such a thing as a typical Monday at any particular BMC. Since we selected sample pieces across all weekdays across sample BMCs, we attempted to control for any *potential* biases that would have resulted if mail flows differed by day of the week across the sample sites. Since it is not certain if such patterns in mail flows exist, and what these patterns are, we cannot say what impact any such patterns, if they exist, would have on the survey results.

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- (e) We cannot confirm or deny the statement that mail flows at BMCs do not change over the course of a month such that surveying one site in the early part of a month is equivalent to surveying another site in the later part of a month, given the data currently available. Since it is not certain if such cycles exist, and what these cycles are, we cannot say what impact any such cycles, if they exist, would have on the survey results.
- (f) As stated on page 6 of Library Reference H-131, all data collectors were trained on data collection techniques at the same training session. In addition, team leaders at each sample site kept in contact with each other and with the project leaders during the sampling phase. In this way, when unanticipated questions or problems arose, all team leaders were aware of the question or problem, and its solution. By training all data collectors at the same time, and staying in contact with all data collection teams during the data collection phase, we made sure that results were consistent across all data collection teams. Team leaders were chosen on the basis of experience in collecting postal data, although almost all other data collectors involved in this project had experience collecting data for other surveys done for the Postal Service. In almost all cases, each data collector worked at more than one sample site over the course of the three-week survey.
- (g) The 21 BMCs, by "size" category, are given in the table below.

<u>Large</u>	<u>Medium</u>	<u>Small</u>
Chicago New Jersey	Dallas Los Angeles Philadelphia Pittsburgh Springfield	Atlanta Cincinnati Denver Des Moines Detroit Greensboro Jacksonville Kansas City Memphis Minneapolis St. Louis San Francisco Seattle Washington, DC

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- (h) As shown in (g), there are only two BMCs that are classified as "large." Both of these BMCs were selected for this survey, as shown by the list of survey sites given on page 6 of the library reference. As discussed in the library reference, the "size" stratification for BMCs is a common nomenclature used to distinguish these facilities, where "size" refers to characteristics such as plant and dock layouts. It is our understanding that the two "large" BMCs are put together in that category, but they are considered unique among BMCs (in their plant and dock layouts), that is, different from all other BMCs and from each other, even though commonly put together in the "large" strata. Since these two BMCs are considered unique, we included both in the survey. That is, choosing both "large" BMCs was equivalent to randomly selecting sites from each of two "unique" strata.
- (i) Sensitivity analysis was not performed on the survey results, nor was it considered necessary, since the "large" BMCs were not really over sampled. As stated in subpart (h), choosing the two "large" BMCs was equivalent to randomly selecting sites from each of two "unique" strata. The results reported in the library reference were national estimates, where overall estimates were the sum of weighted BMC-specific results, where the weights reflected the different sampling rates across the strata. The roll-up process from individual sample pieces to national estimates is described in Section C of the library reference (pages 9-10), and shown in Attachment 3, which was inadvertently omitted from the library reference and filed on August 15, 1997.
- (j) No analysis has been performed on the results for any subset of the population of BMCs. Since national estimates of parcel characteristics were needed for the subsequent analysis on which the results were based, only national estimates (weighted averages across all strata) were calculated. As discussed in subpart (h), a random sample of each unique strata was selected, and national estimates calculated as weighted averages across all strata. As such, standard statistical methods were used to develop the national averages reported in Library Reference H-131.

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(k) The survey was conducted at a sample of BMCs, rather than at all BMCs, because time constraints for the project forbade a census being taken. In addition, conducting the survey at all BMCs would have been prohibitively expensive. The sample sites were chosen randomly, except for those sites excluded because significant construction at those plants at the time the survey was conducted would make sampling difficult. Since no sites were excluded from being selected as sample sites for any reason related to the information being collected in the survey, the results from this sample of nine BMCs, properly rolled up and weighted across strata, provide results representative of the universe of parcels arriving at BMCs.

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**UPS/USPS-T29-13.** Please confirm that at the bottom of page 2 of 17, Appendix V, the formula for Column [6] should read: (Column [1] \* Column [5]) and not (Column [1] \* Column [5] / 10,000). If not confirmed, please explain.

**RESPONSE:**

Confirmed.

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**UPS/USPS-T29-14.** Please identify the source of the data in Appendix V, page 2 of 17, Column 1.

**RESPONSE:**

The source of data in Appendix V, page 2 of 17 Column 1 can be found in two places. The first is Appendix V, page 16 of 17. The second source is the diagram labeled 'Machinable Nonpresort Inter-BMC Mail Flow' in Appendix V, on page 1 of 17. The specific source of each item is described in more detail in the table below. In the table, the page numbers refer to USPS-T-29 Appendix V.

<b>Origin SCF</b>	
Unload Containers	All mail pieces are unloaded once (BMC unloading profile is used as a proxy)
Bedload Sacks	Mirrors the arrival profile at OBMCs. See page 16, machinable parcels arriving in bedloaded sacks at BMC.
Bedload Loose	Mirrors the arrival profile at OBMCs. See page 16, machinable parcels arriving bedloaded at BMC.
Load Sacks in OTRs	Mirrors the arrival profile at OBMCs. See page 16, machinable parcels arriving sacked in OTRs at BMC
Load Loose in OTRs	Mirrors the arrival profile at OBMCs. See page 16, machinable parcels arriving loose in OTRs at BMC
Load OWC	Mirrors the arrival profile at OBMCs. See page 16, machinable parcels arriving in hampers/APC/OWC (OWC) at BMC
Load Pallets	Mirrors the arrival profile at OBMCs. See page 16, machinable parcels arriving palletized at BMC
<b>Origin BMC</b>	
Unload Bedload Sack	Page 16, machinable parcels arriving in bedloaded sacks at BMC
Bedload Loose	Page 16, machinable parcels arriving bedloaded at BMC.
Unload Sacks in OTR	Page 16, machinable parcels arriving sacked in OTRs at BMC
Unload loose in OTR	Page 16, machinable parcels arriving loose in OTRs at BMC
Unload Other Wheeled Cont.	Page 16, machinable parcels arriving in hampers/APC/OWC (OWC) at BMC
Unload Pallet	Page 16, machinable parcels arriving palletized at BMC
Dump OTR of sacks	Same as machinable parcels arriving sacked in OTRs at BMC, page 16
Dump OTR of loose	Same as machinable parcels arriving loose in OTRs at BMC, page 16
Dump Other Wheeled Cont.	Same as machinable parcels arriving in hampers/APC/OWC (OWC) at BMC, page 16
Dump Pallet	Same as machinable parcels arriving palletized at BMC, page 16
Sack Sorter	The sum of bedloaded sacked and sacked in OTR.
Sack Shake out	The sum of bedloaded sacked and sacked in OTR
O. Primary (scan)	Page 1. All parcels incur a primary sort
Sweep Runouts P. Pak -	Same as above. All origin Inter-BMC parcels run out into Postal Paks and must be swept, Page 1

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Load Postal Pak -	Same as above. All origin Inter-BMC parcels run out into Postal Paks and must be loaded, Page 1
<b>Destination BMC</b>	
Unload Postal Pak	Page 1. All inter-BMC parcels arrive at the DBMC in Postal Paks and must be unloaded
Dump Postal Pak	Page 1. All inter-BMC parcels arrive at the DBMC in Postal Paks and must be dumped
D. Primary (scan) -	Page 16, and diagrams on pages 1 and 5. First, destinating BMCs feed 50 percent of barcoded destinating Inter-BMC parcels to the primary parcel sorting machine. The the remaining 50 percent are sent directly to secondary. Second, 17 percent of parcels are sorted to the 5-digit level by the primary parcel sorting machine. This means 17 percent of the 50 percent (.085) directed to the secondary will be sent back to the primary. Therefore, the handling is .585 (.585=.50+.085).
Secondary (scan)	Page 16, and diagrams on page 1 and 5. First, 50 percent of the Inter-BMC parcels received by the DBMC are first sent to the primary parcel machine. Since 17 percent of this is finalized on the primary, 41.5 percent (83 percent of 50) is sent to the secondary, 20.75 percent (50 percent of 41.5) to scheme 3 and 20.75 percent to secondary scheme 4. The other 50 percent of Inter-BMC parcels received by DBMC is inducted unfiltered directly to a secondary scheme (3). Since 17 percent is sent back to the primary for finalization, there is a 50 percent chance that the remaining 41.5 percent will be finalized on scheme 3. Likewise, the other 50 percent of 41.5 percent (20.75) will need to be sorted on secondary scheme 4. Therefore, the total number of mail handlings is 1.1225. (1.1225 = .415 + .50 + .2075).
Sweep Runouts OTR	The sum of bedloaded sacked and sacked in OTR dispatched to service area.
Sack and Tie	The sum of loose in OTRs and in Hampers/OWC dispatched to service area.
Bedload Sacks	Page 16, machinable parcels dispatched in bedloaded sacks to service area
Load OTRs w/sacks	Page 16 machinable parcels dispatched sacked to OTRs in Service area
Load OTRs w/loose	Page 16, machinable parcels dispatched loose in OTRs to Service Areas
Load Hampers/OWC	Page 16, machinable parcels dispatched in hampers/APC/ OWC ( OWC) to Service area
<b>Destination SCF</b>	
Unload Bedload Sacks	Page 1. Since 23.84 percent of mail is in bedload sacks leaving the BMC and 12 percent (page 16) bypasses the DSCF, 20.91 percent (23.84 times 88 percent) is unloaded bedload sacks at the DSCF.
Unload Sacks in OTR	Page 1. Since 2.89 percent of mail is sacked in OTRs leaving the BMC and 12 percent (page 16) bypasses the DSCF, 2.53 percent (2.89 times 88 percent) is unloaded sacks in OTRs at the DSCF.
Unload loose in OTR	Page 1. Since 60.25 percent of mail is loose in OTRs leaving the BMC and 12 percent (page 16) bypasses the DSCF, 52.84 percent (60.25 times 88 percent) is unloaded loose in OTRs at the DSCF.
Unload OWC	Page 1. Since 13.02 percent of mail is loose in OTRs leaving the BMC and 12 percent (page 16) bypasses the DSCF, 11.42 percent (13.02 times 88 percent) is unloaded loose in OTRs at the DSCF.
Crossdock Bedload Sacks	Page 1. Same as unloaded bedload sacks, since it is all crossdocked.
Crossdock Sacks in OTR	Page 1. Same as unload sacks in OTR, since it is all sacks in OTR that

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	are unloaded are crossdocked.
Crossdock loose in OTR	Page 1. Same as unload loose in OTR, since it is all unloaded loose in OTR is crossdocked.
Crossdock OWC	Page 1. Same as unload OWC, since it is all unloaded OWC is crossdocked.
Bedload Sacks	Page 1. Sum of crossdock bedload sacks and crossdock sacks in OTR.
Load OTRs w/loose	Page 1. Same as crossdocked loose in OTR.
Load Hampers/OWC	Page 1. Same as crossdocked hampers/OWC.
<b>Destination Delivery Unit</b>	
Unload Bedload Sacks	Page 16. Sum of machinable parcels loaded dispatched in bedloaded sacks to service area and machinable parcels dispatched in OTRs to service areas from DBMC.
Unload loose in OTR	Page 16. Machinable parcels dispatched loose in OTRs to Service Area from DBMC.
Unload OWC	Page 16. Machinable parcels dispatched in hampers/APC/ OWC (OWC) to Service Area from DBMC.
Dump Sacks	Page 16. Same as the percent of bedload sacks unloaded at DDU. All sacks unloaded have to be dumped.

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**UPS/USPS-T29-15.** Please refer to Appendix V, page 15 of 17, Column 1.

(a) Please confirm that these figures are Marginal Unit per Workhour. If not confirmed, please explain.

(b) Please confirm that in your direct testimony in Docket No. MC97-2, USPS-8G, page 1 of 2, stated the same factors in Units per Workhour. If not confirmed, please explain.

(c) Please explain the reason you changed the basis of these calculations from average to marginal units per workhour. If the basis has not been changed, please explain why not.

**RESPONSE:**

(a) The figures in the first column labeled Units/Wkhr Marginal are marginal productivities. They are calculated by dividing the average productivities from USPS LR-H-132, PIRS, etc., by the variability for that operation and are used in determining volume variable unit costs.

(b) The figures in the first column on page 1 of Exhibit USPS-8G in Docket No. MC97-2, labeled Units/Wkhr were the average productivities from USPS LR-PCR-41 and PIRS. The variabilities for mail processing operations in that docket were assumed to be equal to one. Therefore, the average productivities were the same as the marginal productivities and were used to determine volume variable unit costs.

(c) The goal for all cost modeling used as a basis for rate design is to obtain volume variable costs. Prior to this case, average productivities were needed to determine volume variable costs since mail processing variabilities were assumed to be equal to one. Marginal productivities are needed to determine volume variable costs consistent with the work of USPS witnesses Degen (USPS-T-12) and Bradley (USPS-T-14). Marginal productivities differ from the average productivities for those operations with variabilities other than one.

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**UPS/USPS-T29-16.** Please refer to page 20, footnote 59, of your direct testimony, which states that "[t]his testimony uses the average rate of 806 pieces per hour achieved in FY93 (before PCBS)," and Appendix V, page 15 of 17, which cites a marginal rate of 895.6 pieces per hour.

- (a) Please explain whether your testimony is using average or marginal rates.
- (b) Please explain and justify your selection of average or marginal rates.

**RESPONSE:**

(a) My testimony uses marginal productivities for determining volume variable unit costs. The *average* productivity of the parcel sorting machine in FY93 as reported by PIRS was 806. My testimony divides this *average* productivity by the variability of parcel sorting machine operations from witness Bradley (USPS-T-14) to arrive at the *marginal* productivity reported in Appendix V, p. 15, of 895.6, which was used to determine volume variable unit costs.

(b) In both cases, my testimony uses marginal productivities; however, the variabilities developed in this case are different from one. Please see my response to UPS/USPS-T29-15(c).

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**UPS/USPS-T29-18.** Please confirm that the source of the numbers in Exhibit USPS-29E, page 2 of 6, is the column labeled "4<sup>th</sup> Parc Zone R" at page IV-5 of LR-H-106. If confirmed, please explain why the source numbers are not the same as in Exhibit USPS-29E, page 2 of 6, and provide a corrected source if necessary. If not confirmed, please provide the exact page and column reference for the numbers in Exhibit USPS-29E, page 2 of 6.

**RESPONSE:**

Confirmed. A correction to page 2 of Exhibit USPS-29E will be filed.

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**UPS/USPS-T29-19.** Please refer to Exhibit USPS-29E, page 6 of 6.

(a) Please explain all reasons why the proportional adjustment should apply specifically to the parcel sorting machine key operation versus the parcel sorting machine scan operation.

(b) Please explain what work practices would yield non-modeled costs and explain how these work practices would impact the differential in costs between the parcel sorting machine key operation versus the parcel sorting machine scan operation.

**RESPONSE:**

a. This question is based on the mistaken premise that the proportional adjustment is applied to PSM key operation and not the PSM scan operation. According to Exhibit USPS-29E, however, the proportional adjustment is applied to both operations.

b. Examples of activities which are not modeled include: miskeying the ZIP Code on the parcel causing a missort, the barcode label peeling off, and the machine running out of labels. The costs of these activities would increase the differential between the parcel sorting machine key operation and the parcel sorting machine scan operation.

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**UPS/USPS-T29-20.** Please refer to Appendix V of your testimony.

- (a) Please provide the sources for Column 2 for the following operations:
  - Move IHC
  - Move OTRs
  - Move Pallet
  - Move OWC
- (b) Please provide the sources for Column 1 for the following operations
  - Sweep Runouts OTR
  - Sack and Tie

**RESPONSE:**

- a. The productivities for the move operations are assumed to be half of the crossdock productivity.
- b. The number of handlings for Sweep Runouts OTR is the sum of the percent expected to be dispatched in OTRs and OWCs on page 15 of Appendix V. The number of handlings for Sack and Tie is the sum of the percent expected to be dispatched sacked in OTRs or in bedloaded sacks from page 15 of Appendix V.

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**UPS/USPS-T29-21.** Please describe the sack sorter and sack shakeout operations.

**Response:**

Please refer to USPS LR-PCR-54, Handbook PO-419 "Bulk Mail Processing at Bulk Mail Centers Operator Instruction."

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**UPS/USPS-T29-22.** Please explain if a DSCF or DDU could become capacity constrained due to a large increase in dropshipping.

**Response:**

This question is phrased in hypothetical terms, and I do not believe that the Postal Service is currently facing this issue. Notwithstanding, if this should ever become a problem, I believe that the Postal Service would deal with it in a responsible way. Since it is not within the scope of my employment to address these type of issues, however, I am unfamiliar with any reconfigurations the Postal Service would consider to address situations like the one described in this interrogatory.

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W/USPS-T29-1.

Please refer to Exhibit USPS-29D, p. 1, columns 4 and 5.

- a. Please provide a complete and exact citation for the source of the data in column 4.
- b. Please confirm that column 5 shows Test Year Total Costs Before Rates. If you do not confirm, please explain what the data in column 5 represent.
- c. Please provide Test Year Volume and Total Costs After Rates for each of the rows shown in USPS-29D.

**RESPONSE:**

- a. USPS-T-6, page A-30. "Appendix Table 4: Detailed Before- and After-Rates Volume Forecasts for First-Class and Standard A Mail." Column 2 "Before Rates" lines 45-51.
- b. Confirmed
- c. I understand that the reconciled TY volume variable unit costs in Column 6 are the same for both before- and after-rates.

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-CW/USPS-T29-2.

Please refer to Exhibit USPS-29C, page 3, including footnote 2, which states that "ECR Mail Processing costs reflect current level of dropshipping."

- a. Please confirm that the unit costs shown in this exhibit are for Test Year. If you do not confirm, please explain what they represent.
- b. For the Test Year, what are the unit mail processing costs for ECR letters and nonletters that are:
  - (i) dropshipped to DDUs (*i.e.*, 100 percent dropshipped to DDUs);
  - (ii) dropshipped to DSCFs (*i.e.*, 100 percent dropshipped to DSCFs);
  - (iii) dropshipped to DBMCs (*i.e.*, 100 percent dropshipped to DBMCs);
  - (iv) Not dropshipped to any destinating facility.
- c. Please explain what "other costs" include (as opposed to what they exclude), including whether such other costs include the cost of Postal-Owned Vehicles attributed to Standard A mail (see LR-H-111, Appendix B, Table 6).

**RESPONSE:**

Confirmed.

An extension to this interrogatory has been requested.

"Other" costs include such items as postmasters, vehicle service drivers, window service, special delivery messengers, and claims and inquiry. For the purposes of Exhibit USPS-29C, transportation costs are defined as only those costs in Cost Segment 14. Therefore, Postal-Owned Vehicle costs, or Vehicle Service Driver costs, are reflected in "other" costs in Exhibit USPS-29C page 3. For the purposes of USPS LR-H-111, however, transportation costs include Vehicle Service Drivers (Postal-Owned Vehicle) costs. The different treatment of these costs in the exhibit and the library reference does not affect the total costs in Exhibit USPS-29C and does not impact the analysis in that exhibit.

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VP-CW/USPS-T29-2.

Please refer to Exhibit USPS-29C, page 3, including footnote 2, which states that "ECR Mail Processing costs reflect current level of dropshipping."

\* \* \* \* \*

- b. For the Test Year, what are the unit mail processing costs for ECR letters and nonletters that are:
- (i) dropshipped to DDUs (*i.e.*, 100 percent dropshipped to DDUs);
  - (ii) dropshipped to DSCFs (*i.e.*, 100 percent dropshipped to DSCFs);
  - (iii) dropshipped to DBMCs (*i.e.*, 100 percent dropshipped to DBMCs);
  - (iv) Not dropshipped to any destinating facility.

\* \* \* \* \*

**RESPONSE:**

\* \* \* \* \*

- b. Estimates of test year unit mail processing costs for ECR (average letter/nonletter) using nontransportation cost avoidances for dropshipping are found below. Note this is not a bottom-up cost analysis.
- (i) 1.26 cents per piece dropshipped to DDU
  - (ii) 1.45 cents per piece dropshipped to DSCF
  - (iii) 1.57 cents per piece dropshipped to DBMC
  - (iv) 1.74 cents per piece with no destination entry

\* \* \* \* \*

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO  
INTERROGATORIES OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK  
DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.**

**VP-CW/USPS-T29-3.** Please refer to your response to VP-CW/USPS-T29-1(c), where you discussed Test Year After Rates volume variable unit costs, corresponding to column 6 of USPS-29D, page 1.

USPS-29D, page 1, columns 4 and 5 show Test Year Volume and Total Cost Before Rates. Please provide After Rates data corresponding to each entry in columns 4 and 5 as originally requested in VP-CW/USPS-T29-1(c).

**RESPONSE:**

The purpose of Exhibit USPS-29D page 1 is only to calculate the figures in Column [6] which, after adjustment in Exhibit USPS-29C, are used by witness Moeller in his ECR rate design. The calculation of Test Year After Rates (TYAR) costs is outside the scope of my testimony. TYAR costs by subclass are calculated in witness Patelunas' testimony (USPS-T-15). Notwithstanding, for the purpose of providing the figures sought in this interrogatory, the table below presents the results of the requested calculation. Column [6] of Exhibit USPS-29D page 1 is the product of Column [3] and Column [4], but column [6] in the table below, which parallels column [5] in the exhibit, still reports *unreconciled* test year costs. Using witness Tolley's After Rates volume forecast (which is presented in USPS-T-6, page A-30 column 3) in Column [4] and performing the calculations in Exhibit USPS-29D would result in figures reported in the table below. Columns [4] and [5] correspond to the columns in Exhibit USPS-29D, page 1, except that the calculations rely on after rates volumes instead of before rates volumes.:

**TABLE VP-CW/USPS-T29-3**

		[4] Test Year Volume (AR)	[5] Test Year Total Cost (AR)
<b>Letter</b>	Auto Basic	2,059.66	4,963.17
	Basic	3,173.77	6,350.98
	High Density	392.99	143.11
	Saturation	3,086.39	1,123.98
<b>Nonletters</b>	Basic	10,660.71	25,628.07
	High Density	1,154.08	320.43
	Saturation	8,158.60	2,265.26
<b>Total</b>		<b>28,686.18</b>	<b>40,795.00</b>

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**VP-CW/USPS-T29-4.**

Please refer to your response to VP-CW/USPS-T29-2(b), where you provide estimates of Test Year mail processing unit costs for ECR. Your response states that "this is not a bottom-up cost analysis."

- a. Please explain what you meant by this disclaimer. If it is not a bottom-up cost analysis, what kind of cost analysis is it?
- b. Please explain fully what each unit cost provided in your response includes and represents.

**RESPONSE:**

a-b. The mail processing cost estimates of ECR pieces by destination entry point provided in VP-CW/USPS-T29-2(b) were not calculated in the same manner as the total ECR subclass mail processing unit costs. The mail processing ECR costs in USPS-29C are a result of a "bottom up" CRA analysis. The mail processing cost estimates of ECR pieces by destination entry point provided in VP-CW/USPS-T29-2(b) use the nontransportation cost avoidances estimated in LR-H-111 and billing determinant volumes and weights by entry point to deaverage the cost of an average ECR piece. It is not possible to calculate the cost of an ECR piece by entry point directly using a "bottom up" CRA analysis.

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VP-CW/USPS-T29-5. Please refer to USPS-29C, p. 6. The data in columns 2 and 10 of that exhibit are abstracted below, and the "other" unit costs have been calculated from these data.

	Volume [2]	Total "Other" Costs [10]	"Other" Unit Costs [11]
Regular	34,359,010	274,817	0.7998
ECR	32,424,240	163,433	0.5040
Total	66,783,250	438,250	0.6562

- a. Please explain fully why you computed and used (see p.3 of USPS-29C) the average "other" unit costs for all Standard A mail (0.6252) rather than compute separately and use .7998 cents for the Regular rate categories and 0.5040 cents for the ECR rate categories.
- b. In your view, would it be appropriate to describe "other" costs as non-model costs? Please explain why or why not.
- c. Please describe all major activities or functions that comprise these "other" costs. Do any of these "other" costs have MODS functions associated with them?
- d. What effort did you make to ascertain whether some of the "other" unit costs vary in proportion either mail processing, delivery or transportation costs? Please explain your rationale for making an equal adjustment to the unit costs shown on p.3 of USPS-29C, rather than a proportional adjustment.

**RESPONSE:**

- a. The purpose of Exhibit USPS-29C, page 3 is to compare the costs of pieces before and after they migrate from ECR basic to Automation 5-Digit. Since they are the same pieces, it seems unlikely that "other costs" would change significantly. Therefore, average "other" costs have been used. Mail processing and delivery costs for those pieces that migrate are different, however.
- b. No. The term "non-model costs" refers to difference between CRA *mail processing costs* and costs estimated by the mail flow models. I use the term "CRA adjustment" in this docket to refer to the process of reconciling CRA mail processing costs and the costs estimated by the mailflow models. "Other" costs are not mail

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processing costs.

c. "Other" costs are the costs of all activities that are neither mail processing, delivery or transportation. MODS functions apply to mail processing costs and therefore would not apply to "Other" costs. Please see my response to VPCW/USPS-T29-2(c) for a discussion of what is included in "Other" costs.

d. "Other" costs were not used in determining discounts because the Commission has traditionally used only mail processing and delivery costs for this purpose. No attempt to ascertain proportionality was performed. "Other" costs were calculated because a total cost figure was required for the final adjustment described by witness Moeller (USPS-T-36 at 47).

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 1

**POIR No.1 Question 8.** USPS-T-29, page 8. Referring to Exhibit USPS-T-29A, witness Daniel states

Those costs identified as worksharing-related are applied to modeled cost proportionately (proportional column); non-worksharing related costs are applied as constants to modeled costs (fixed column). This testimony determines that the letter cost pool activities that are in the mailflow or bundle sorting models, such as "mods bcs/," "manl," "mods ocr/," "spbs Oth," etc., are worksharing-related and are related to the modeled costs proportionately.

If letter pool cost pool activities are already "in the mailflow or bundle sorting models," why is any proportional adjustment necessary? Please discuss in detail.

**RESPONSE:**

Mail flow models are simplifications of reality and use inputs that are sometimes not class specific (such as MODS productivities). Because of this, the costs calculated by mail flow models may not necessarily be equal to the cost of the same activities as measured in the CRA. Insofar as modeled costs do not match comparable CRA costs, proportional and fixed adjustments are used to reconcile the two.

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2. On page 85, witness Bernstein (USPS-T-31) notes: "A key assumption of the price calculation is that when a piece of mail shifts from single-piece to workshare, the postal marginal cost of that mail falls from the single-piece marginal cost of \$0.2324 to the workshare marginal cost of \$0.0991, thereby saving the Postal Service ... \$0.1333 per piece." Please provide any evidence available supporting the position that the savings to the Postal Service for likely-workshared mail that may become workshared is in the neighborhood of 13.33 cents per piece and, separately, supporting the position that the relevant savings is not in the neighborhood of the current 6-cent discount level (the latter figure being discussed on page 81).

Response (Partial):

Witness Bernstein is also responding in part to this question.

The mail processing and delivery cost for bulk metered letters is 14.73 cents (see my exhibit USPS-29C, page 1, footnote 5). We do not have the remainder of the volume variable costs (non-mail processing and delivery) specifically for bulk metered letters. These non-mail processing and delivery unit costs are 1.30 cents<sup>1</sup> and 3.88 cents<sup>2</sup> for First-Class presort and non-presort respectively.

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<sup>1</sup> The First-Class presort non-mail processing and delivery unit cost, 1.30 cents, is the difference between 9.80 and 8.51 cents. The 9.80 cents is the total volume variable unit cost for First-Class presort (without contingency) calculated from exhibit USPS-15E, page 7, total volume variable costs of 4,069,545 and exhibit USPS-15G, page 15 total volumes of 41,506,989. The 8.51 cents is the volume variable unit costs for mail processing and delivery costs (including piggyback or indirect costs) for First-Class presort. This is calculated by summing the mail processing costs including piggyback costs (1,236,653 times 1.60350), the city carrier costs including piggyback costs (909,275 times 1.32005) and the rural carrier costs including piggyback costs (290,187 times 1.19693) and dividing by total volumes of 41,506,989. The volume variable mail processing, city carrier and rural carrier costs are from exhibit USPS-15E, pages 19, 1, and 3 respectively. The corresponding piggyback factors are from USPS LR-H-77, pages 41, 87, and 138.

<sup>2</sup> The First-Class non-presort non-mail processing and delivery unit cost, 3.88 cents, is the difference between 23.00 and 19.12 cents. The 23.00 cents is the total volume variable unit cost for First-Class non-presort (without contingency) calculated from exhibit USPS-15E, page 7, total volume variable costs of 12,506,161 and exhibit USPS-15G, page 15 total volumes of 54,394,309. The 19.12 cents is the volume variable unit costs for mail processing and delivery costs (including piggyback or indirect costs) for First-Class non-presort, which are 14.11 and 5.00 cents, respectively. The mail processing volume variable unit costs, 14.11 cents, is calculated from 4,899,428 times 1.56702 divided by total volume, 54,394,309. The volume variable mail processing costs are from exhibit USPS-15E, page 19, and the piggyback factor is from USPS LR-H-77, page 41. The delivery unit cost, 5.00 cents, is from USPS-29C, page 1.

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If the cost characteristics of bulk metered letters with respect to functions other than mail processing and delivery are more like presort mail, the total cost per piece would be 14.73 cents plus 1.30 cents, or 16.03 cents. Conversely, if bulk metered letters are more like non-presort mail in these respects, the total would be 14.73 cents plus 3.88 cents, or 18.61 cents. Thus, when the contingency is added, it would appear the volume variable unit costs for bulk metered letters lie somewhere between 16.19 cents and 18.79 cents.

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3**

Revised 10/6/97

**POIR No. 3, Question 20.** Witness Moeller adds mail processing unit costs and delivery unit cost by rate category to develop cost savings for presort and automation discounts. See USPS-T-36, Workpaper 1, pages 10, 11, and 12. Witness Daniel supplies the letter mail processing unit costs (USPS-T-29) and witness Seckar supplies the flat mail processing unit costs. Witness Seckar uses two bases for computing the flat mail processing costs: (1) actual mail makeup; and (2) constant mail makeup. The actual mail makeup approach reflects cost differences resulting from worksharing and inherent mail characteristics. The constant mail make-up approach primarily reflects cost savings resulting from mailer-applied barcodes. See USPS-T-26, page 4. Witness Daniel, however, does not use a constant mail makeup approach for letter mail processing unit costs. Witness Moeller uses witness Seckar's constant mail makeup costs as the basis for worksharing discounts for flats. See USPS-T-36, page 19.

Please explain why the discounts for letters do not reflect the same constant mail makeup basis used for flats. Please calculate the cost savings for letters using a constant makeup approach.

**RESPONSE:**

Conceptually, the reason for the constant makeup analysis in flats is that the presort definition for sacked barcoded flats is less stringent, which I understand may contribute to higher mail processing costs. The same does not hold true, however, for letters. The preparation and makeup requirements for Automation letters do not contribute to higher mail processing costs for Automation letters; rather, such preparation and makeup requirements contribute to additional cost savings through avoided bundle sorting costs.

Some of the letter models presented in my testimony could already be analyzed to determine cost differences holding makeup constant. Specifically, Automation letters and OCR Upgradable letters in full UPGR trays in the cost models presented in my testimony (see Appendices I and III at pages 1 and 11) have the same makeup characteristics in that both reflect the same proportion of letters in AADC versus Mixed AADC full trays.

It does not appear that further constant makeup comparisons in letters will yield cost differences upon which rates may be set because such comparisons would not reflect the avoided costs of bundle sorting and because automation and presort letter categories do not have parallel presort tiers as is the case for flat-rated pieces.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS DANIEL TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 3

Revised 10/6/97

Notwithstanding, a constant makeup framework could be constructed by first applying the proportion of letters in AADC trays and Mixed AADCs entered as Automation Basic to letters entered as Basic non-OCR upgradable letters as shown in Table V below. Once the entry point profile of Automation is applied to non-OCR upgradable letters, bundle sorting costs need to be eliminated, as shown in Table II. This results in a modeled cost for non-OCR Basic letters of **10.0030** cents. The next step is to apply CRA adjustments to determine the average cost of presort Basic in Table I. This results in an average cost of **8.8719** cents for Regular Presort Basic letters with the same proportion of full AADC and mixed AADC trays as Regular Automation Basic letters. This figure is approximately one-half cent lower than the "actual makeup" cost of **9.1407** cents for Regular Basic Presort reported in Exhibit USPS-29A revised **10/1/97**.

A constant makeup for finer presort categories is complicated by the fact that the Automation and Presort rate categories are not parallel in letters, as is the case for flats. Automation letters are split into three separate presort tiers: Basic, 3-Digit and 5-Digit. By contrast, Presort letters are split into only two presort tiers: Basic and 3/5-Digit. A constant makeup analysis could be constructed by assuming that all 3/5 digit Presort letters are presented in full 3-Digit trays. Using this assumption, Tables III and VI below show that the modeled cost of OCR upgradable letters in full 3-Digit trays is **5.1671** cents, and the modeled cost of non-OCR upgradable letters in full 3-Digit trays is **8.4372** cents. After applying the original CRA adjustments, the average cost of Presort letters in full 3-Digit trays (under the "constant makeup" framework) is **7.8092** cents as seen in Table I. This is compared to an "actual makeup" cost of **6.9107** cents for Regular 3/5-Digit presort presented in Exhibit USPS-29A revised **10/1/97**. It is important to keep in mind, however, that the figures calculated assuming constant makeup neither account for the cost savings associated with bundle sorting, nor reflect the cost savings associated with the composition of the 3/5-Digit Presort rate category, which, unlike the 3-digit Automation tier, includes some letters sorted to the 5-digit level.

Similar figures for Nonprofit are presented in Tables VI through X.

**Development and Summary of Standard Regular Mail Processing Costs**

	[1] Model Unit Cost	[2] Proportional Adjustment	[3] Fixed Adjustment	[4] Total Unit Cost	[5] Percent DPS	[6] Model Weights
Automation Basic	4.2233	1.0526	0.7726	5.2178	63.05%	15.12%
Automation 3-Digit	3.7092	1.0526	0.7726	4.6787	65.06%	46.70%
Automation 5-Digit	2.4871	1.0526	0.7726	3.3904	68.48%	14.45%
Presort Basic (UPGR Trays)	5.7285	1.0526	0.7726	6.8021	60.14%	1.53%
Presort Basic (NON-OCR Trays - Upgradable)	5.7285	1.0526	0.7726	6.8021	59.71%	3.67%
Presort Basic (NON-OCR Trays - Non Upgradable)	10.0030	1.0526	0.7726	11.3013	25.90%	4.43%
Presort Basic (Weighted Average)	7.6950	1.0526	0.7726	8.8719	44.23%	9.64%
Presort 3/5 (UPGR Trays - Upgradable)	5.1671	1.0526	0.7726	6.2113	60.58%	2.24%
Presort 3/5 (NON-OCR Trays - Upgradable)	5.1671	1.0526	0.7726	6.2113	60.58%	5.37%
Presort 3/5 (NON-OCR Trays - Non Upgradable)	8.4672	1.0526	0.7726	9.6848	25.91%	6.48%
Presort 3/5 (Weighted Average)	6.6853	1.0526	0.7726	7.8092	44.63%	14.09%

RR MODEL COST WEIGHTED AVERAGE <sup>1</sup>	4.4139
Proportional Cost Pools (page 2)	4.5452
CRA Proportional Adjustment	1.0526
CRA Fixed Adjustment (page 2)	0.7726

Automation Basic Enhanced Carrier Route<sup>2</sup>      0.4086      48.38%      100.00%

<sup>1</sup> RR Model Cost Weighted Average = Column [1] \* Column [6]

<sup>2</sup> Automation Basic Enhanced Carrier Route Model Cost is from Appendix I at page 9.

[1] Model Unit Cost from Cost Summary Sheet in Appendix I.

[2] Proportional Cost Pools from Exhibit USPS-29A at page 2 divided by RR Model Cost Weighted Average

[3] Fixed Cost Pools from Exhibit USPS-29A at page 2.

[4] Total Unit Cost = Column [1] \* Column [2] + Column [3].

[5] DPS Percent from Cost Summary Sheet in Appendix I.

[6] Model Weights are percent shares of each rate category based on TY Before Rates Volume Forecast and within the Presort Rate categories according to percentages in the Mail Characteristics Study (USPS LR-H-105).

Test Year Standard (A) Regular Non-OCR Basic Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	2,557	812	\$25.445	3.1336	1.3720	-0.1316	4.1677	1.0658
MLOCR	2,022	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.1437
RBCS Images Processed	1,118	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.2880
LMLM	143	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0103
BCS-OSS	1,091	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0388
MPBCS	170	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0087
<u>Outgoing Secondary</u>								
Manual	416	691	\$25.445	3.6823	1.3720	-0.1547	4.8975	0.2038
MPBCS	409	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0208
<u>ADC Distribution</u>								
Manual	3,723	759	\$25.445	3.3524	1.3720	-0.1408	4.4587	1.6598
MLOCR	2,056	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.1461
RBCS Images Processed	1,137	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.2928
LMLM	146	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0105
BCS-OSS	1,109	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0395
MPBCS	536	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0272
<u>SCF Operations</u>								
Manual	2,919	896	\$25.445	2.8398	1.3720	-0.1193	3.7770	1.1027
MLOCR	492	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0350
RBCS Images Processed	241	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0620
LMLM	31	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0022
BCS-OSS	235	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0084
MPBCS	824	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0419
<u>Incoming Primary</u>								
Manual	1,602	562	\$25.445	4.5276	1.3720	-0.1902	6.0217	0.9647
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	576	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0293
<u>Incoming Secondary</u>								
Manual MODs Sites	3,525	646	\$25.445	3.9389	1.3720	-0.1654	5.2387	1.8464
Manual Non-Auto Sites	3,566	1,143	\$25.445	2.2261	1.3720	-0.0935	2.9607	1.0556
MPBCS	914	6,633	\$25.445	0.3836	1.7190	-0.0161	0.6433	0.0588
DBCS First-Pass	2,314	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1886
DBCS Second-Pass	2,198	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1792
CSBCS First-Pass	520	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0147
CSBCS Second-Pass	512	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0145
CSBCS Third-Pass	507	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0144
<u>Other</u>								
Acceptance/Verification	10,000						0.1870	0.1870
<u>Sort to P. O. Boxes:</u>								
DPS	250	2,341	\$25.445	1.0868	1.3660	-0.0456	1.4389	0.0360
Non-DPS	715	1,171	\$25.445	2.1735	1.3660	-0.0913	2.8777	0.2058
Bundle Sorting Basic	0						1.7494	0.0000
%DPS	25.90%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] <small>page 43</small> * Column [3] <small>page 42</small> * 100	MODEL COST	10.8030
Column [6] = Column [4] * (premium pay factor <small>page 42</small> - 1)	PROPORTIONAL ADJ. <small>Exhibit USPS-29A</small>	1.0526
Column [7] = (Column [4] * Column [5] <small>page 42</small> ) + Column [6]	FIXED ADJUSTMENT <small>Exhibit USPS-28A</small>	0.7726
Column [8] = Column [7] * Column [1] <small>total flow</small> / 10,000	TOTAL UNIT COST	11.3013

Test Year Standard (A) Regular Upgradable Tray 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	0	812	\$25.445	3.1336	1.3720	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>Outgoing Secondary</u>								
Manual	0	691	\$25.445	3.6823	1.3720	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>AADC Distribution</u>								
Manual	0	759	\$25.445	3.3524	1.3720	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>SCF Operations</u>								
Manual	0	896	\$25.445	2.8398	1.3720	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<u>Incoming Primary</u>								
Manual	1,105	562	\$25.445	4.5276	1.3720	-0.1902	6.0217	0.6656
MLOCR	9,537	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.6778
RBCS Images Processed	3,323	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.8558
LMLM	196	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0141
BCS-OSS	3,216	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.1145
MPBCS	794	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0404
<u>Incoming Secondary</u>								
Manual MODs Sites	1,637	646	\$25.445	3.9389	1.3720	-0.1654	5.2387	0.8577
Manual Non-Auto Sites	1,557	1,143	\$25.445	2.2261	1.3720	-0.0935	2.9607	0.4610
MPBCS	2,137	6,633	\$25.445	0.3836	1.7190	-0.0161	0.6433	0.1375
DBCS First-Pass	5,412	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.4411
DBCS Second-Pass	5,141	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.4191
CSBCS First-Pass	1,216	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0344
CSBCS Second-Pass	1,198	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0339
CSBCS Third-Pass	1,186	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0336
<u>Other</u>								
Acceptance/Verification	10,000						0.1870	0.1870
<u>Sort to P. O. Boxes:</u>								
DPS	585	2,341	\$25.445	1.0868	1.3660	-0.0456	1.4389	0.0841
Non-DPS	380	1,171	\$25.445	2.1735	1.3660	-0.0913	2.8777	0.1095
%DPS	60.58%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = $1/\text{Column [2]}_{\text{page 42}} * \text{Column [3]}_{\text{page 42}} * 100$	MODEL COST	5.1871
Column [6] = $\text{Column [4]} * (\text{premium pay factor}_{\text{page 42}} - 1)$	PROPORTIONAL ADJ. <small>Exhibit USPS-29</small>	1.0526
Column [7] = $(\text{Column [4]} * \text{Column [5]}_{\text{page 42}}) + \text{Column [6]}$	FIXED ADJUSTMENT <small>Exhibit USPS-28A</small>	0.7726
Column [8] = $\text{Column [7]} * \text{Column [1]}_{\text{mail flow}} / 10,000$	TOTAL UNIT COST	6.2113

Test Year Standard (A) Regular Non-OCR 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<b>Outgoing Primary</b>								
Manual	0	812	\$25.445	3.1336	1.3720	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<b>Outgoing Secondary</b>								
Manual	0	691	\$25.445	3.6823	1.3720	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<b>ADC Distribution</b>								
Manual	0	759	\$25.445	3.3524	1.3720	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<b>SCF Operations</b>								
Manual	0	896	\$25.445	2.8398	1.3720	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0000
<b>Incoming Primary</b>								
Manual	6,213	562	\$25.445	4.5276	1.3720	-0.1902	6.0217	3.7412
MLOCR	4,301	7,350	\$25.445	0.3462	2.0950	-0.0145	0.7107	0.3057
RBCS Images Processed	1,891	816	\$14.919	1.8293	1.4500	-0.0768	2.5757	0.4871
LMLM	300	4,985	\$25.445	0.5104	1.4500	-0.0214	0.7187	0.0215
BCS-OSS	1,825	11,984	\$25.445	0.2123	1.7190	-0.0089	0.3561	0.0650
MPBCS	538	8,393	\$25.445	0.3032	1.7190	-0.0127	0.5084	0.0273
<b>Incoming Secondary</b>								
Manual MODs Sites	3,606	646	\$25.445	3.9389	1.3720	-0.1654	5.2387	1.8889
Manual Non-Auto Sites	3,484	1,143	\$25.445	2.2261	1.3720	-0.0935	2.9607	1.0314
MPBCS	914	6,633	\$25.445	0.3836	1.7190	-0.0161	0.6433	0.0588
DBCS First-Pass	2,315	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1887
DBCS Second-Pass	2,199	7,467	\$25.445	0.3408	2.4340	-0.0143	0.8151	0.1792
CSBCS First-Pass	520	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0147
CSBCS Second-Pass	512	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0145
CSBCS Third-Pass	507	17,124	\$25.445	0.1486	1.9480	-0.0062	0.2832	0.0144
<b>Other</b>								
Acceptance/Verification	10,000						0.1870	0.1870
<b>Sort to P. O. Boxes:</b>								
DPS	250	2,341	\$25.445	1.0868	1.3660	-0.0456	1.4389	0.0360
Non-DPS	715	1,171	\$25.445	2.1735	1.3660	-0.0913	2.8777	0.2058
Bundle Sorting Basic	0						0.7946	0.0000
<b>%DPS</b>	<b>25.91%</b>							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

- Column [4] =  $\frac{1}{\text{Column [2]}} \times \text{Column [3]} \times 100$
- Column [6] = Column [4] \* (premium pay factor - 1)
- Column [7] = (Column [4] \* Column [5]) + Column [6]
- Column [8] = Column [7] \* Column [1] / 10,000

<b>MODEL COST</b>	<b>8.4672</b>
<b>PROPORTIONAL ADJ.</b> Exhibit USPS-29A	<b>1.0526</b>
<b>FIXED ADJUSTMENT</b> Exhibit USPS-29A	<b>0.7726</b>
<b>TOTAL UNIT COST</b>	<b>9.6848</b>

**Standard (A) Regular Entry Point Profile  
"CONSTANT MAKEUP"**

15.87%	<b>Automation And Upgradable Trays (no bundles)</b>			67.43%
	<b>Basic</b>	<b>32.57%</b>	<b>3/5</b>	
	<b>%</b>		<b>%</b>	
<b>OP</b>	43.91%		0.00%	
<b>AADC</b>	44.65%		0.00%	
<b>SCF</b>	11.44%		0.00%	
<b>IP</b>	0.00%		100.00%	
<b>IS(IP-QCR)</b>	0.00%		0.00%	
<b>IS</b>	0.00%		0.00%	
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>	
38.12%	<b>Non-OCR Trays (bundles) but does not fail Upgradable criteria</b>			59.38%
	<b>Basic</b>	<b>40.62%</b>	<b>3/5</b>	
	<b>%</b>		<b>%</b>	
<b>OP</b>	50.72%		0.00%	
<b>ADC</b>	25.23%		0.00%	
<b>SCF</b>	6.47%		0.00%	
<b>IP</b>	12.89%		48.42%	
<b>IS(IP-OCR)</b>	3.96%		43.55%	
<b>IS</b>	0.73%		8.03%	
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>	
46.00%	<b>Non-OCR Trays (bundles) and fails Upgradable criteria</b>			59.38%
	<b>Basic</b>	<b>40.62%</b>	<b>3/5</b>	
	<b>%</b>		<b>%</b>	
<b>OP</b>	43.91%		0.00%	
<b>ADC</b>	44.65%		0.00%	
<b>SCF</b>	11.44%		0.00%	
<b>IP</b>	0.00%		100.00%	
<b>IS(IP-OCR)</b>	0.00%		0.00%	
<b>IS</b>	0.00%		0.00%	
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>	
<b>% Machinable</b>	<b>44.40%</b>		<b>44.40%</b>	

This table uses tables C1 and C2 on page 37 of this appendix in performing calculations. For methodology, see Appendix IV of USPS-T-5 in Docket No. MC96-2.



Test Year Standard (A) Nonprofit Non-OCR Upgradable Basic Letters Cost Summary

"CONSTANT MAKE-UP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	3,195	812	\$25.445	3.1336	1.372	-0.1316	4.1677	1.332
MLOCR	1,751	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.124
RBCS Images Processed	968	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.249
LMLM	124	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.009
BCS-OSS	945	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.034
MPBCS	147	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.007
<u>Outgoing Secondary</u>								
Manual	512	691	\$25.445	3.6823	1.372	-0.1547	4.8975	0.251
MPBCS	355	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.018
<u>ADC Distribution</u>								
Manual	4,166	759	\$25.445	3.3524	1.372	-0.1408	4.4587	1.857
MLOCR	1,520	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.108
RBCS Images Processed	841	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.217
LMLM	108	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.008
BCS-OSS	820	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.029
MPBCS	437	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.022
<u>SCF Operations</u>								
Manual	3,250	896	\$25.445	2.8398	1.372	-0.1193	3.7770	1.228
MLOCR	365	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.026
RBCS Images Processed	180	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.046
LMLM	23	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.002
BCS-OSS	176	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.006
MPBCS	667	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.034
<u>Incoming Primary</u>								
Manual	1,821	562	\$25.445	4.5276	1.372	-0.1902	6.0217	1.097
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.000
MPBCS	470	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.024
<u>Incoming Secondary</u>								
Manual All Sites	4,601	646	\$25.445	3.9389	1.372	-0.1654	5.2387	2.410
Manual MODs Sites	3,548	1,143	\$25.445	2.2261	1.372	-0.0935	2.9607	1.050
MPBCS	723	6,633	\$25.445	0.3836	1.719	-0.0161	0.6433	0.047
DBCS First-Pass	1,872	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.153
DBCS Second-Pass	1,779	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.145
CSBCS First-Pass	421	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.012
CSBCS Second-Pass	414	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.012
CSBCS Third-Pass	410	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.012
<u>Other</u>								
Acceptance/Verification	10,000						0.2707	0.2707
<u>Sort to P. O. Boxes:</u>								
DPS	169	2,341	\$25.445	1.0868	1.366	-0.045644	1.4389	0.024
Non-DPS	638	1,171	\$25.445	2.1735	1.366	-0.091287	2.8777	0.184
Bundle Sorting Basic	0						1.6692	0.000
%DPS	20.96%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] \* Column [3] \* 100

Column [6] = Column [4] \* (premium pay factor)

Column [7] = (Column [4] \* Column [5]) + Column [6]

Column [8] = Column [7] \* Column [1] / 10,000

MODEL COST	11.0462
PROPORTIONAL ADJ. Exhibit USPS-29B	0.8113
FIXED ADJUSTMENT Exhibit USPS-29B	0.5342
TOTAL UNIT COST	9.4956

Test Year Standard (A) Nonprofit Upgradable Tray 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKEUP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	0	812	\$25.445	3.1336	1.372	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>Outgoing Secondary</u>								
Manual	0	691	\$25.445	3.6823	1.372	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>AADC Distribution</u>								
Manual	0	759	\$25.445	3.3524	1.372	-0.1403	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>SCF Operations</u>								
Manual	0	896	\$25.445	2.8398	1.372	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>Incoming Primary</u>								
Manual	1,068	562	\$25.445	4.5276	1.372	-0.1902	6.0217	0.6429
MLOCR	9,566	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.6799
RBCS Images Processed	3,358	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.8649
LMLM	198	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0142
BCS-OSS	3,250	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.1157
MPBCS	798	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0406
<u>Incoming Secondary</u>								
Manual MODs Sites	1,641	646	\$25.445	3.9389	1.372	-0.1654	5.2387	0.8596
Manual Non-Auto Sites	1,453	1,143	\$25.445	2.2261	1.372	-0.0935	2.9607	0.4302
MPBCS	2,135	6,633	\$25.445	0.3836	1.719	-0.0161	0.6433	0.1374
DBCS First-Pass	5,525	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.4504
DBCS Second-Pass	5,249	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.4279
CSBCS First-Pass	1,242	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0352
CSBCS Second-Pass	1,223	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0346
CSBCS Third-Pass	1,211	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0343
<u>Other</u>								
Acceptance/Verification Sort to P. O. Boxes:	10,000						0.2707	0.2707
DPS	499	2,341	\$25.445	1.0868	1.366	-0.0456	1.4389	0.0718
Non-DPS	308	1,171	\$25.445	2.1735	1.366	-0.0913	2.8777	0.0886
%DPS	61.85%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] <sub>page 43</sub> \* Column [3] <sub>page 42</sub> \* 100  
 Column [6] = Column [4] \* (premium pay factor <sub>page 42</sub> - 1)  
 Column [7] = (Column [4] \* Column [5] <sub>page 42</sub>) + Column [6]  
 Column [8] = Column [7] \* Column [1] <sub>mat flow</sub> / 10,000

MODEL COST	5.1990
PROPORTIONAL ADJ. <small>EXHIBIT USPS-29B</small>	0.8113
FIXED ADJUSTMENT <small>EXHIBIT USPS-29B</small>	0.5342
<b>TOTAL UNIT COST</b>	<b>4.7520</b>

Test Year Standard (A) Nonprofit Non-OCR Upgradable 3/5-Digit Presort Letters Cost Summary  
"CONSTANT MAKE-UP"

	[1] Mix of Handlings	[2] Pieces per Hour	[3] Wage Rate	[4] Direct Labor Cents/Piece	[5] Piggyback Factor	[6] Premium Pay Adj.	[7] Operation Unit Cost	[8] Modeled Unit Cost
<u>Outgoing Primary</u>								
Manual	0	812	\$25.445	3.1336	1.372	-0.1316	4.1677	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>Outgoing Secondary</u>								
Manual	0	691	\$25.445	3.6823	1.372	-0.1547	4.8975	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>ADC Distribution</u>								
Manual	0	759	\$25.445	3.3524	1.372	-0.1408	4.4587	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>SCF Operations</u>								
Manual	0	896	\$25.445	2.8398	1.372	-0.1193	3.7770	0.0000
MLOCR	0	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.0000
RBCS Images Processed	0	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.0000
LMLM	0	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0000
BCS-OSS	0	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0000
MPBCS	0	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0000
<u>Incoming Primary</u>								
Manual	6,973	562	\$25.445	4.5276	1.372	-0.1902	6.0217	4.1991
MLOCR	3,431	7,350	\$25.445	0.3462	2.095	-0.0145	0.7107	0.2438
RBCS Images Processed	1,519	816	\$14.919	1.8293	1.450	-0.0768	2.5757	0.3913
LMLM	241	4,985	\$25.445	0.5104	1.450	-0.0214	0.7187	0.0173
BCS-OSS	1,467	11,984	\$25.445	0.2123	1.719	-0.0089	0.3561	0.0522
MPBCS	431	8,393	\$25.445	0.3032	1.719	-0.0127	0.5084	0.0219
<u>Incoming Secondary</u>								
Manual MODs Sites	4,397	646	\$25.445	3.9389	1.372	-0.1654	5.2387	2.3034
Manual Non-Auto Sites	3,253	1,143	\$25.445	2.2261	1.372	-0.0935	2.9607	0.9632
MPBCS	726	6,633	\$25.445	0.3836	1.719	-0.0161	0.6433	0.0467
DACS First-Pass	1,880	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.1532
DACS Second-Pass	1,786	7,467	\$25.445	0.3408	2.434	-0.0143	0.8151	0.1456
CSBCS First-Pass	423	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0120
CSBCS Second-Pass	416	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0118
CSBCS Third-Pass	412	17,124	\$25.445	0.1486	1.948	-0.0062	0.2832	0.0117
<u>Other</u>								
Acceptance/Verification	10,000						0.2707	0.2707
<u>Sort to P. O. Boxes:</u>								
DPS	170	2,341	\$25.445	1.0868	1.366	-0.0456	1.4389	0.0244
Non-DPS	637	1,171	\$25.445	2.1735	1.366	-0.0913	2.8777	0.1834
Bundle Sorting Basic	0						0.8229	0.0000
%DPS	21.05%							

Figures in Columns [1], [2], [3], and [5] are reported in subsequent pages in this Appendix.

Column [4] = 1/Column [2] <sub>page 42</sub> \* Column [3] <sub>page 42</sub> \* 100  
 Column [6] = Column [4] \* (premium pay factor <sub>page 42 - 1</sub>)  
 Column [7] = (Column [4] \* Column [5] <sub>page 42</sub>) + Column [6]  
 Column [8] = Column [7] \* Column [1] <sub>total flow</sub> / 10,000

MODEL COST	9.0519
PROPORTIONAL ADJ. <small>Exhibit USPS-29B</small>	0.8113
FIXED ADJUSTMENT <small>Exhibit USPS-29B</small>	0.5342
TOTAL UNIT COST	7.8777

**Standard (A) Nonprofit Entry Point Profile  
"CONSTANT MAKE-UP"**

13.95%	<b>Automation And Upgradable Trays (no bundles)</b>				47.07%
	<b>Basic</b>	<b>52.93%</b>	<b>3/5</b>		
	<b>%</b>		<b>%</b>		
OP	47.83%		0.00%		
AADC	41.53%		0.00%		
SCF	10.64%		0.00%		
IP	0.00%		100.00%		
IS(IP-OCR)	0.00%		0.00%		
IS	0.00%		0.00%		
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>		
25.20%	<b>Non-OCR Trays (bundles) but does not fail Upgradable criteria</b>				59.06%
	<b>Basic</b>	<b>40.94%</b>	<b>3/5</b>		
	<b>%</b>		<b>%</b>		
OP	66.09%		0.00%		
ADC	19.16%		0.00%		
SCF	4.91%		0.00%		
IP	7.67%		49.86%		
IS(IP-OCR)	1.85%		42.85%		
IS	0.31%		7.28%		
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>		
60.84%	<b>Non-OCR Trays (bundles) and fails Upgradable criteria</b>				59.06%
	<b>Basic</b>	<b>40.94%</b>	<b>3/5</b>		
	<b>%</b>		<b>%</b>		
OP	47.83%		0.00%		
ADC	41.53%		0.00%		
SCF	10.64%		0.00%		
IP	0.00%		100.00%		
IS(IP-OCR)	0.00%		0.00%		
IS	0.00%		0.00%		
<b>Total</b>	<b>100.00%</b>		<b>100.00%</b>		
<b>% Machinable</b>	<b>35.30%</b>		<b>35.30%</b>		

These tables use tables C1 and C2 on page 37 of this appendix in performing calculations. For methodology, see Appendix IV of USPS-T-5 in Docket No. MC96-2.

1 CHAIRMAN GLEIMAN: Does any participant have  
2 additional designated written cross examination?

3 Mr. McKeever?

4 MR. MCKEEVER: Mr. Chairman, can I just have  
5 half-a-minute to see whether one recently arrived answer is  
6 in that packet or not. I don't want to add it if it's  
7 already there. It will take me 30 seconds.

8 CHAIRMAN GLEIMAN: Certainly.

9 THE WITNESS: DMA-2 is not in there, if that's  
10 what you're looking for, DMA-2.

11 CHAIRMAN GLEIMAN: We're off the record.

12 [Discussion off the record.]

13 MR. MCKEEVER: Mr. Chairman, we do not have  
14 anything to add.

15 CHAIRMAN GLEIMAN: Thank you, sir.

16 Mr. Corcoran.

17 MR. CORCORAN: I have nothing to add to the pile.  
18 I just have a clarifying question with respect to -- to  
19 whether or not the package reflects corrections to her  
20 testimony, as well.

21 The reference I have is to a MASA, M-A-S-A, UPS --  
22 excuse me -- USPS-T-29-1, which -- I'm not sure it was  
23 updated.

24 CHAIRMAN GLEIMAN: Well, if I understand, you're  
25 asking me about -- are you asking me about a response to an

1 interrogatory from MASA that this witness responded to?

2 MR. CORCORAN: Correct. It was designated --

3 CHAIRMAN GLEIMAN: My assumption is that the  
4 materials that are in the package include revisions to  
5 previously provided answers.

6 MR. CORCORAN: Well, that's fine. We -- we  
7 haven't received them, but that's fine.

8 CHAIRMAN GLEIMAN: I -- now I'm confused. You  
9 haven't received --

10 MR. CORCORAN: No, I haven't received any updates,  
11 any -- any corrections.

12 MR. THOMAS: Mr. Chairman, the most recent packet  
13 -- I picked it up off the table this morning, this one that  
14 contains revised answers to 19 interrogatories, nine of  
15 which were propounded by the Alliance of Non-Profit Mailers,  
16 I've never seen before this morning, and in fact, what I was  
17 going to open with is a request that, on the 23rd, when this  
18 witness is coming back anyhow, we be allowed to examine her  
19 with regard to this, because I have not had a chance to even  
20 talk this over with the person that really designed these  
21 questions, and I just -- I got it this morning off the  
22 table.

23 CHAIRMAN GLEIMAN: Let me -- let me make sure I  
24 understand what you two gentlemen are talking about.  
25 They're interrogatories that the organizations that you

1 represent or that you are in some way or another interested  
2 in have submitted interrogatories.

3 If I understood what you just said, Mr. Thomas,  
4 these are interrogatories that you hadn't seen before they  
5 were submitted?

6 MR. THOMAS: No, no, the answers. There have been  
7 revised answers.

8 CHAIRMAN GLEIMAN: You have not seen the answers.  
9 Revised answers were filed, they have found their  
10 way into the package of designated written cross  
11 examination.

12 Counsel, can you help this a bit -- a bit about  
13 when these were filed?

14 MR. ALVERNO: Yes, Mr. Chairman. These were filed  
15 on October 6, 1997. For the most part, I -- I can represent  
16 that these changes are -- are -- those are to the number  
17 themselves, and so, I don't see what the complication is or  
18 why there's confusion, and I had those out on the table this  
19 morning, so --

20 MR. THOMAS: I thought this case was about  
21 numbers.

22 CHAIRMAN GLEIMAN: Mere -- mere numbers is what  
23 this is all about, sir.

24 MR. ALVERNO: That's -- that's understood.

25 However, the testimony -- the testimony revisions themselves

1 were sent out on October 1st, and I presume that counsel for  
2 ANM had received those previously.

3 MR. THOMAS: No.

4 MR. ALVERNO: And so, it should -- it should have  
5 come as no surprise to counsel for ANM that these changes  
6 would be forthcoming. It's simply a matter of trying to get  
7 the information organized and prepared. It does consume a  
8 lot of time for us.

9 CHAIRMAN GLEIMAN: I -- I understand that, because  
10 you filed the case, that you work under a particular heavy  
11 burden at the front end, but other parties to this have a  
12 different burden that they have to bear along the way, and  
13 we have to try and accommodate everybody's interests.

14 Let me just make -- make a -- a suggestion, and  
15 that is that, to the extent that you're aware of who might  
16 be cross examining -- and this is with -- for all Postal  
17 Service counsel with respect to witnesses who are going to  
18 appear here over the next couple of weeks -- to the extent  
19 that -- that you know that a party is going to cross examine  
20 and that there are late responses or revisions to earlier  
21 responses, I would respectfully request that some effort be  
22 made beyond just the mail, and -- and I don't mean to  
23 indicate anything negative about -- about the -- the mail.

24 I think that some of us have some problems in our  
25 own mail-rooms, and I know that there was, for example, a

1 late objection filed to some -- to -- to a motion to compel  
2 I'm trying to piece together in my mind, but one of our  
3 intervenors is from California and mailed some stuff to the  
4 east coast, and apparently it got to the Postal Service in a  
5 timely manner but it didn't get up from wherever the  
6 mail-room in the Postal Service is to wherever the attorneys  
7 are in the L'Enfant Plaza headquarters building, and  
8 consequently, it appeared that the document was received  
9 late in postal headquarters when, in fact, it was just lost  
10 in the internal mail system.

11 Perhaps there is a problem with mail getting out  
12 of the Postal Service in a timely manner, also, and I just  
13 bring this up as a possibility and as a basis for my  
14 suggesting that an effort be made to call counsel or contact  
15 them by fax or whatever if you're aware that they're going  
16 to cross examine and there are some late -- late issues,  
17 responses, or revisions to responses that they might be  
18 interested in.

19 Mr. Thomas and Mr. Corcoran inasmuch as I would  
20 respectfully request to the extent that you possibly can  
21 that you attempt to do your cross examination including the  
22 revised responses that you hadn't seen before this morning.  
23 If you can't, then certainly in order to protect your rights  
24 we will enable you -- we will permit you if you deem it  
25 necessary for your purposes to continue your cross

1 examination on these matters on the 23rd, when the witness  
2 is going to be back anyway, okay?

3 MR. THOMAS: Thank you. I would just note, these  
4 are subtle changes in numbers that have to be understood and  
5 run through the model in a way that is going to make it  
6 possible for me --

7 CHAIRMAN GLEIMAN: Mr. Thomas, believe me, you  
8 don't have to tell me about that. I know how subtle a  
9 little change here and there can be. I have come to  
10 appreciate it quite a bit in the last three and a half  
11 years.

12 Now if the Court Reporter will help me out, I  
13 can't remember at this point whether we actually moved -- I  
14 believe we did move the designated written cross  
15 examination, corrected version, into the record, and it is  
16 transcribed, and we were asking whether there was any  
17 additional, and Mr. McKeever -- my short-term memory is  
18 coming back to me now -- got to take more of those Ginseng  
19 tablets -- my short term memory is improving as we go along  
20 and it appears that Mr. McKeever felt that he did not have  
21 to add the extra interrogatory, it was already in there.

22 Does anybody else have any additional designated  
23 written cross examination for this witness?

24 [No response.]

25 CHAIRMAN GLEIMAN: If not, then we are going to

1 proceed.

2 I think it would be timely now for anyone who has  
3 a motion that they want to make about when they might want  
4 to cross examine this witness other than the follow up as a  
5 consequence of revised responses to make that motion now.

6 MR. OLSON: Mr. Chairman, William Olson,  
7 representing Nashua District/Mystic/Seattle.

8 I would like to renew the motion we made on Monday  
9 with respect to the cross examination of Witness Daniel  
10 concerning supplemental testimony 43 filed the last day of  
11 September, I believe, and which we found and the revised  
12 schedule circulated Monday listed today as the day for cross  
13 examination.

14 We have been -- you know where I have been this  
15 week and I've been wholly unable to prepare for cross as  
16 against this witness and therefore we would ask to be put on  
17 for one of the available dates at the end of the period.

18 CHAIRMAN GLEIMAN: And that would be with respect  
19 to T-43.

20 MR. OLSON: Only, yes.

21 CHAIRMAN GLEIMAN: I won't even think more about  
22 it, other than to say if I could only think of Yul Brenner's  
23 words that he used in "The Ten Commandments" -- so it is and  
24 so it is, and I can't remember exactly how it went, but the  
25 words would be appropriate and the witness is returning on

1 the 23rd and certainly at that point you can cross examine  
2 on T-43.

3 MR. TIDWELL: Mr. Chairman, does that mean I  
4 should dispense with my opposition to the motion?

5 CHAIRMAN GLEIMAN: I think so.

6 MR. TIDWELL: Okay. Just wanted to be sure.

7 CHAIRMAN GLEIMAN: I would have allowed an  
8 objection to the motion but I had already checked when we  
9 were off the record to find out if everyone was going to be  
10 available that day, and I didn't hear anybody speak up to  
11 say that they wouldn't be, and I think in the interest of  
12 having as sensible a record as we can in this case that it  
13 is a prudent move to allow Mr. Olson to cross examine at  
14 that point in time.

15 Seven participants had requested oral cross  
16 examination of the witness. I think if I understood all  
17 that has proceeded that we are down to five participants who  
18 want to cross examine now on T-29: The Alliance of  
19 Nonprofit Bankers --

20 MR. THOMAS: Mailers, please.

21 CHAIRMAN GLEIMAN: Excuse me, Mailers. I was  
22 reading down to the next line.

23 [Laughter.]

24 MR. THOMAS: There are some nonprofit bankers but  
25 they are mostly in a different sort of category.

1 [Laughter.]

2 CHAIRMAN GLEIMAN: I think the Alliance of  
3 Nonprofit Bankers all disappeared a few years ago when we  
4 had another problem.

5 The American Bankers Association, Edison Electric,  
6 and National Association of Presort Mailers, Florida Gift  
7 Fruit Shippers, the National Federation of Nonprofits, the  
8 Newspaper Association of America, and United Parcel Service.

9 Yes? Did I leave anyone out? Does anyone else  
10 wish to cross examine this witness on her T-29 testimony?

11 [No response.]

12 CHAIRMAN GLEIMAN: Well, assuming that I have got  
13 the alphabet right this time, I think Alliance comes before  
14 American, Mr. Levy, Mr. Thomas, if you all would like to  
15 begin your cross examination.

16 MR. THOMAS: Just one other procedural point. My  
17 short term memory may be failing. Has the witness in fact  
18 been sworn?

19 CHAIRMAN GLEIMAN: I believe I swore her in.

20 MR. THOMAS: With all the discussion --

21 CHAIRMAN GLEIMAN: I appreciate the help. It is  
22 not out of the realm of possibility given all that has  
23 transpired that I might forget.

24 CROSS EXAMINATION

25 BY MR. THOMAS:

1           Q     Ms. Daniel, I want to focus on the inputs, the  
2     data that you have used in making your and preparing your  
3     testimony.

4                     On page 10 of your testimony there is a section  
5     beginning on line 3 labelled inputs.

6           A     Okay.

7           Q     I take it that the various data that are described  
8     there are what your testimony in this case is based on and  
9     depends upon?

10          A     My testimony depends on these inputs, that's  
11     correct.

12          Q     All right. Now there is a series of footnotes  
13     related to most of these various sources of data. At the  
14     bottom of the page, footnotes 29 through 40, all of these  
15     identify appendices or exhibits to your testimony as the  
16     source of this data, but taking these sort of one at a time,  
17     is it not true that the MODS data noted in Footnote 29 is in  
18     fact from a library reference?

19          A     Yes, sir.

20          Q     You did not prepare that library reference, did  
21     you?

22          A     No, sir.

23          Q     So are you testifying here as to the voracity and  
24     credibility of that information?

25          A     Not of that library reference.

1 Q I mean, I would ask a similar question with regard  
2 to downs flow densities from Appendix 3, page 41. That also  
3 came from a library reference, didn't it?

4 A I am using the same densities that were used in  
5 Docket Number MC95-1 with no changes --

6 Q Okay, but --

7 A And they were on the record then.

8 Q But in that case, they also came from a library  
9 reference, didn't they?

10 A I believe so.

11 Q And that was not a study that you prepared?

12 A I did participate in the preparation of the  
13 density study.

14 Q All right. You participated. Was it done under  
15 your supervision and direction?

16 A I was not supervising it. I was doing some of the  
17 work.

18 Q Okay. In footnote 32, there is a reference to the  
19 piggyback factors. I believe that although those are set  
20 forth, summaries of them at page 42, those also come from a  
21 library reference, don't they?

22 A Yes, sir.

23 Q Now, was that a study that you participated in?

24 A No, sir.

25 Q So you are not testifying as to the truth or

1 accuracy of that data?

2 A No, sir. A lot of these came up yesterday and we  
3 offered to put up a witness, Mr. Smith.

4 Q I understand. I am trying to find out the basis  
5 of your testimony.

6 A Okay.

7 Q Again, in 33, there are volume variable  
8 productivities used in the nonprofit models. Again,  
9 Appendix 3, page 43. This also came from a library  
10 reference, did it not?

11 A Yes, sir.

12 Q What reference was that, do you know?

13 A Volume variable productivities, I believe, are  
14 library reference 113.

15 Q Now, is that a study that you conducted?

16 A No, sir.

17 Q Did you participate in it?

18 A No, sir.

19 Q So you are not testifying to the truth and  
20 accuracy of that data?

21 A No, sir.

22 Q And in footnote 34, there is a reference to accept  
23 rates used in the nonprofit models from Appendix 3, page 40,  
24 and I believe that came from two library references, did it  
25 not?

1 A Yes, sir.

2 Q Do you know which two those were?

3 A Library reference 130 has been accepted into  
4 Witness Hatfield's testimony yesterday.

5 Q Right.

6 A And the other would also have been Library  
7 Reference 113.

8 Q Now, are those studies that you conducted?

9 A I participated in the 130 that is now in Witness  
10 Hatfield's testimony. I did not participate in Library  
11 Reference 113.

12 Q When you say you participated, it was not done  
13 under your supervision or direction, though?

14 A Library Reference 130 was.

15 Q 130 was? All righty.

16 With regard to the data that is in Library  
17 Reference H-130, is that really what I will call primary  
18 data or is that also based on tabulations of data from other  
19 sources?

20 A That was a field study?.

21 Q A field study.

22 A Yes, sir.

23 Q So information was collected from the field?

24 A Yes, sir.

25 Q Tabulated, combined in some fashion and then put

1 into Library Reference H-130?

2 A Yes, sir. That was the one you went down the 31-K  
3 with Witness Hatfield yesterday?

4 Q Right. Okay. But so the data that even appear in  
5 Library Reference H-130 are not the original numbers, they  
6 are numbers that have been consolidated or coalesced or put  
7 together in some way. Those are not prime, primary  
8 information?

9 A I would have to check. But he may have put the  
10 original data also in the library reference.

11 Q With regard to footnote 35, nonprofit mail  
12 characteristic studies referred to in Appendix 3 at page 36,  
13 pages 36 and 37, that also comes from a library reference?

14 A Yes, sir.

15 Q What library reference was that, if you know?

16 A The nonprofit mail characteristics came from 195.  
17 The regular rate characteristics came from 105.

18 Q Now, are either of those studies that you  
19 conducted or directed?

20 A I directed them. They were prepared under my  
21 supervision.

22 Q Both of those?

23 A Yes, sir.

24 Q All righty.

25 Now Footnote 36 makes reference to nonprofits'

1 specific coverage factors at Appendix 3, pages 38 and 39?

2 Now those are from library reference, right?

3 A Yes, sir. Library Reference 128.

4 Q Now is that a study that you directed or --

5 A No, sir.

6 Q And you are not testifying to those numbers?

7 A No, sir.

8 Q All right, and in 37 -- don't worry about it -- 38  
9 involves the CRA for nonprofit mail letter processing cost  
10 pools in Exhibit USPS-29B, page 2, and that also came from a  
11 library reference, right?

12 A Library Reference 106.

13 Q And is that a study that you participated in or  
14 directed?

15 A No, sir.

16 Q So you are not testifying to those numbers?

17 A No, sir.

18 Q What about the nonprofit entry profile mentioned  
19 in Footnote 39, Appendix 3, page 35?

20 A I would testify to that. That is an analysis that  
21 I massaged the mail characteristics data to calculate the  
22 entry profile.

23 Q You massaged the data but you didn't collect the  
24 data, is that what you are testifying to?

25 A The data was collected under my supervision.

1 Q All right. What about Footnote 40, the nonprofit  
2 bundle sorting model?

3 A I am testifying to that. That model is Appendix 2  
4 of my testimony and -- or the nonprofit one is Appendix 4  
5 and that also uses the mail characteristics data. I did the  
6 analysis to produce the bundle sorting model.

7 Q With regard to the data in studies that you  
8 conducted, and I'll start with the mail characteristic  
9 study, can you describe the sorts of checks that you engaged  
10 in to make sure that the data you were getting was accurate  
11 and complete?

12 A I maintained<sup>ed</sup> contact with the contractor who was  
13 checking and calculating the data.

14 I am not offering testimony on the mail  
15 characteristics library references. If need be, we will  
16 have to ask one of the persons who actually crunched the  
17 numbers to come up and talk about all the checks that were  
18 performed.

19 If you could give me a copy of the library  
20 reference, I could look through it with you and point out  
21 the checks that were done on the data.

22 Q Well, I don't have a copy of that library  
23 reference here. We could get one from the library but I am  
24 not sure that would be productive, but your testimony is at  
25 this point that you did not conduct those checks but that a

1 contractor to the Postal Service did?

2 A Yes, sir.

3 Q And they designed those checks and saw to it that  
4 they were made?

5 A Yes, sir.

6 Q Do you know what those checks were?

7 A No, sir. I would have to look at the library  
8 reference. I am sure that the computer documentation is  
9 there.

10 Q Okay. With regard to the Library Reference H-130,  
11 now can you describe the checks that were undertaken to make  
12 sure that data was complete and accurate?

13 A No, sir, but I believe that that is also in the  
14 library reference. Witness Hatfield could have answered  
15 that yesterday.

16 Q Is that a study that was prepared by you directly  
17 or by a contractor?

18 A By Witness Hatfield. He was crunching the  
19 numbers. It was under my direction.

20 Q Okay. On page 11 of your testimony in Section B,  
21 beginning at line 11, there is a reference to some cost  
22 summaries.

23 These summaries, is that information that was  
24 given to you in summarized form or did you collect that  
25 data?

1           A     Well, that is referring to Exhibit 29-C. Some of  
2 those data are from my testimony, the mail processing data  
3 for letters. The mail processing data for flats came from  
4 Witness Seckar. The delivery costs came from Witness Hume.

5           Q     So you are only able to testify to part of the  
6 data in that exhibit?

7           A     Yes, sir.

8           Q     Is that the basic data itself that you testified  
9 or did you collect that data from some other source of  
10 compiled data?

11          A     I'm sorry, which data?

12          Q     The data in Exhibit 29-C, the mail processing  
13 costs that you referred to. I understood you to say it was  
14 your work.

15          A     The letter mail processing costs --

16          Q     Yes.

17          A     I developed those costs.

18          Q     From what kind of data did you develop it?

19          A     From the mail flows and the cost summary sheets in  
20 my appendices.

21          Q     Was that work done under your direct supervision?

22          A     Yes, sir, I did that work.

23          Q     Okay. All right. And you got the numbers from --  
24 you didn't go out and count these processing -- I mean, you  
25 weren't standing there taking tallies. Somebody --

- 1           A     <sup>They're</sup>~~Their~~ mail flow models<sup>?</sup>.
- 2           Q     Right. Okay. And those were done by somebody
- 3 else and presented to you.
- 4           A     No, I -- if you want to turn to Appendix 1, page
- 5 1 --
- 6           Q     Um-hum.
- 7           A     You'll see a copy of a mail flow model. On page 1
- 8 is the cost summary sheet.
- 9           Q     Yes.
- 10          A     And page 2 is the mail flow model. This is my
- 11 work.
- 12          Q     You prepared this diagram.
- 13          A     Yes, sir.
- 14          Q     This diagram relies on data, the numbers that
- 15 are -- where did those numbers come from?
- 16          A     A variety of sources including the library
- 17 references that we just went through.
- 18          Q     So what you're really testifying to is the
- 19 diagram, but not the numbers -- of your own personal
- 20 knowledge.
- 21          A     I directly participated in the collection of some
- 22 of these data, and other data I did not.
- 23          Q     Can you identify the numbers there on that diagram
- 24 that are numbers that you collected versus numbers that
- 25 somebody else collected?

1           A     Well, we'd need to make the distinction between  
2 what was done under my supervision and what I actually  
3 collected and manipulated.

4           Q     We could -- yes, we could do 3 and then something  
5 that everybody else did. There would really be three  
6 categories then, I think.

7           A     If we went back to the library references that we  
8 just discussed --

9           Q     Yes.

10          A     I said the mail characteristics were conducted  
11 under my supervision --

12          Q     Right.

13          A     The accept rates were conducted under my  
14 supervision.

15          Q     Um-hum.

16          A     Several years ago I worked on the density study.

17          Q     Right.

18          A     So those would be the ones that I would --

19          Q     Okay, but --

20          A     Feel some personal stake in.

21          Q     Okay. Looking at appendix -- USPS-T-29, Appendix  
22 1, and I guess the diagram we're looking at is the one on  
23 page 4 or page -- no, page 2.

24          A     Page 2.

25          Q     All righty. Can you look at the numbers that are

1 presented there and identify which numbers -- the source of  
2 those numbers?

3 A Yes, sir. This could take a while, but I'll give  
4 you a flavor of how this goes. If you'll look at the 4,783,  
5 the upper-left corner, that would be the amount of mail out  
6 of 10,000 pieces of automation basic nonprofit -- I'm on  
7 Appendix 3, I'm sorry.

8 Q I think I've got to get the correct --

9 A Do you want to go to Appendix 1? Do you want  
10 nonprofit or regular A?

11 Q I was looking at Appendix 1 at the moment.

12 A Okay. I can go to regular A.

13 Q Because that's the one you referred to. But if we  
14 want to look at --

15 A That's fine. I was accidentally in Appendix 3.

16 Okay. So 4,391.

17 Q Yes.

18 A Okay. Out of 10,000 pieces, this model says 4,391  
19 pieces of automation basic mail enter on the BCS, which is a  
20 bar-code sorter outgoing primary.

21 Q Right.

22 A I developed that number -- it's hard to do without  
23 links -- but I believe that we will see if we go to my entry  
24 profile that you referenced earlier, that should be about  
25 page 35.

1 Q Of Appendix 1.

2 A Yes, sir.

3 Q Um-hum.

4 There are a lot of errata sheets in here, right?

5 A Okay. You see that outgoing primary under the

6 basic at the top of the page there's 43.91 percent.

7 Q On page -- oops.

8 A Thirty-five of Appendix 1.

9 Q I don't seem to have a page 35.

10 A We could do the nonprofit.

11 Q This sheet --

12 A Would you like to do the nonprofit?

13 Q The first -- one side of this sheet is marked page

14 34 of 43, and the flip side of that page is marked 36 of --

15 oh.

16 All righty, yes, I see the number you're referring

17 to.

18 A Okay, 43.91 percent.

19 Q Right.

20 A Okay, 43.91 percent of the 10,000 pieces entered

21 in the model is 4,391 pieces, which I say enters at outgoing

22 primary in the bar code sorter.

23 Q Right.

24 A Okay?

25 Q Okay.

1           A     Now do we want to trace the development of that  
2     43.91 percent or do you want me to pick another number?

3           Q     No, let's go down a little bit -- let's dig  
4     another level at least in this number.

5           A     Okay. If we come down that same line, you'll see  
6     4,465.

7           Q     Yes.

8           A     That would be the 44.65 percent on page 35.

9           Q     All righty. What I'm interested in is not so much  
10    following this line down as going --

11          A     Okay. We can use the accept rates and the reject  
12    rates.

13          Q     Well, I'm trying to figure out -- the data that  
14    you used to compute that number, where did that come from?  
15    Not what did you do with it once you had it, but where did  
16    that number come from?

17          A     Where did the 4,391 come from?

18          Q     Right.

19          A     It came from the 43.91 percent.

20          Q     Where did the 43.91 percent then come from?

21          A     Then we can trace that one. That's a bit more  
22    complicated.

23                MR. ALVERNO: Mr. Chairman, I object to this line  
24    of questioning. I mean, what he's asking for essentially is  
25    where the sources of the information are, and this has been

1 provided in the testimony for example at the bottom of page  
2 35 of Appendix 1, and it identifies the sources of the  
3 information.

4 I would also note that Witness Daniel answered an  
5 extensive question from the OCA on all the sources of  
6 information.

7 CHAIRMAN GLEIMAN: Mr. Alverno, could you take a  
8 deep breath? Slow down.

9 Because I'm having difficulty -- my head is making  
10 it difficult for me to process information that I am  
11 supposed to be hearing.

12 MR. ALVERNO: I object.

13 CHAIRMAN GLEIMAN: I got that one. Now, you  
14 object because?

15 MR. ALVERNO: This information that he is asking  
16 is already provided at the bottom of the pages, in the  
17 footnotes. He is asking about sources that Witness Daniel  
18 has already identified in her testimony. So I see this as  
19 being a pointless exercise.

20 MR. THOMAS: Mr. Chairman, what I am trying to  
21 find out is what part of this information comes from  
22 Ms. Daniel and what comes from somebody else. That is not  
23 made plain by a reference to testimony in Docket 96-2. I  
24 still don't know whether this is information she collected  
25 or information somebody else collected.

1 MR. ALVERNO: I believe he is --

2 CHAIRMAN GLEIMAN: Excuse me. This is oral  
3 cross-examination. You are looking at her testimony.

4 MR. THOMAS: Right.

5 CHAIRMAN GLEIMAN: You are looking at her  
6 testimony that has been available for written discovery.

7 MR. THOMAS: Right.

8 CHAIRMAN GLEIMAN: Do you have written discovery  
9 questions that relate to this matter that she did not  
10 respond to? Because the purpose of oral testimony, oral  
11 cross-examination, is to follow up on written  
12 cross-examination. And I would be interested in knowing  
13 which of your written interrogatories you are following up  
14 on.

15 MR. THOMAS: I am not following up on a written  
16 interrogatory because at the time those were prepared, we  
17 didn't know that library references in these other data were  
18 going to be coming in.

19 CHAIRMAN GLEIMAN: Excuse me, sir. You are  
20 looking at her testimony. You are not looking at library  
21 references; am I correct?

22 MR. THOMAS: Yes. But at the time, that was  
23 information. I mean, I understood where they had gotten it  
24 but I did not understand that that would be considered  
25 evidence in this case.

1           CHAIRMAN GLEIMAN: You understand where the  
2 numbers have come from?

3           MR. THOMAS: Only the documents that contain them,  
4 not whether the witness that is testifying about those  
5 numbers collected that or knows about those numbers.

6           MR. ALVERNO: Mr. Chairman, I must respectfully  
7 note that counsel for ANM went through a litany of questions  
8 about the sources and who was sponsoring or who was  
9 testifying to those sources and so I believe this has  
10 already been answered.

11           CHAIRMAN GLEIMAN: Quite frankly, Mr. Thomas, I am  
12 not sure I understand the distinction you are drawing. If  
13 you were concerned about the numbers and the underlying  
14 issue here is that there are numbers in testimony that have  
15 been drawn from library references which were not in  
16 evidence.

17           MR. THOMAS: Right.

18           CHAIRMAN GLEIMAN: But the numbers have been there  
19 based on library references which have not been in evidence  
20 from the get-go.

21           MR. THOMAS: Right.

22           CHAIRMAN GLEIMAN: Are you telling me that you  
23 didn't care to find out which library references those  
24 numbers were in before because --

25           MR. THOMAS: We know what library references the

1 numbers come from. The problem is we don't know where that  
2 came from. There is another level down here and we don't  
3 know what this witness is testifying to. This appears to be  
4 hearsay, that all of this information came from another  
5 source that has multiple contributors and she is, in effect,  
6 testifying with this information that was provided to her by  
7 others to a considerable extent.

8 CHAIRMAN GLEIMAN: Do I understand then that what  
9 you are really getting at is the expertise of this witness  
10 in terms of her determination to rely on data that is  
11 provided her by others? I mean, in the vernacular, let's  
12 get real. There's a lot of data that's collected from a lot  
13 of people and a lot of places.

14 MR. THOMAS: Right.

15 CHAIRMAN GLEIMAN: Is what this is all about  
16 trying to find out which data entry clerk in which Postal  
17 facility in which city collected which piece of data and if  
18 you can't find that out, then --

19 MR. THOMAS: I don't want to know which,  
20 necessarily which delivery clerk. But I want to know  
21 whether the witness knows and whether it was done under her  
22 supervision or whether this is just a conclusory piece  
23 number that was handed to her by somebody else.

24 I'm not -- I mean --

25 CHAIRMAN GLEIMAN: Do you intend to go through

1 each and every one of the numbers in her exhibit? Because  
2 if you do intend to do that, I am going to let you go on and  
3 it's going to be a long day and you're going to be the last  
4 party to cross-examine today.

5 MR. THOMAS: What I wanted to do was just explore  
6 on how much was dependent on that.

7 CHAIRMAN GLEIMAN: I'm going to let you go. We  
8 can continue. Go as long as you want, sir.

9 The objection is overruled.

10 And, Ms. Daniel, to the best of your ability, I  
11 would appreciate you to continue to answer the questions as  
12 you have so far.

13 BY MR. THOMAS:

14 Q So I think we're back clear now to Appendix 1,  
15 page 2, and this number in the upper left-hand --

16 CHAIRMAN GLEIMAN: Could you please speak up, sir?

17 MR. THOMAS: I'm sorry.

18 BY MR. THOMAS:

19 Q In the upper left-hand corner.

20 I mean, I am just trying to understand where all  
21 this information comes from and how much of it is your  
22 information opposed to something that came from somebody  
23 else. So of that number, now is that made up -- where did  
24 that number come from in terms of the information that goes  
25 to make it up?

1           A     Okay. That number, as we discussed, was on page  
2 35 of Appendix 1.

3           Q     Right.

4           A     That number, as you see at the bottom, says it  
5 comes from page 37 of this.

6           Q     Right.

7           A     If we go to 37, we see that that number comes from  
8 Library Reference 105, which was prepared under my  
9 supervision.

10          Q     Okay. Now, is that -- if we go down to the next  
11 number that you referred to, 4465, again along the left-hand  
12 side?

13          A     This same trail will follow for that number.

14          Q     All of these numbers then in this particular --

15          A     In the electronic version, these are what I would  
16 call the black lines. And this is often easier to follow if  
17 you have a laptop in front of you. This is what I called  
18 the entry profile. So, yes, all the black numbers -- well,  
19 it's these three numbers, will follow the trail that we just  
20 described.

21          Q     All right.

22                   Is that going to be true for the other mail flow  
23 diagrams in here?

24          A     The black lines, all the numbers on the black  
25 lines, <sup>in</sup> ~~and~~ the electronic version.

1 Q Okay. I guess I'm having a problem figuring out  
2 what's a number on a black line and what's --

3 A Right. It's --

4 Q Can you give me an example of a number that's not  
5 a black line?

6 A Yes, sir. If we can go to the BCS OP box --

7 Q Yes.

8 A -- and come down -- it's a little dotted line that  
9 goes right across the page --

10 Q Yes.

11 A -- that's 220 -- do you see the number 220? It's  
12 going into the manual OP box.

13 Q Right.

14 A Okay. That is the result of the accept and  
15 upgrade rate study now adopted by witness Hatfield.

16 Q All right. So, that's not your number.

17 Now, if --

18 A It was prepared under my supervision --

19 Q All right.

20 A -- and witness Hatfield has adopted that -- that  
21 study. I can explain the derivation of that number if you'd  
22 like me to.

23 Q Take a crack at that, yes.

24 A Take a crack at that? Okay. In the electronic  
25 version of this, you will find that that will be the 4,391

1 pieces times one minus the accept rate that can be found on  
2 page 40 of my appendix one.

3 Q All right. And that's not -- I'm sorry, but --

4 A Oh. That -- that reject rate actually -- or  
5 accept rate -- is actually a 113 number, library reference  
6 H-113.

7 Q So, that was not something that you prepared.

8 A That number would be an example of something -- I  
9 did not work on the library reference that calculated the  
10 accept rates for the bar-code sorters.

11 Q All right.

12 If we -- if --

13 MR. THOMAS: I understand the chairman's concern.  
14 I mean we go literally down every one of these things.

15 CHAIRMAN GLEIMAN: Don't -- don't let the  
16 chairman's concern stop what you think is necessary cross  
17 examination.

18 I've told you that you can have all the time that  
19 you want, and of course, I was bluffing when I said you'd be  
20 the last cross examiner. We're going to go till the cows  
21 come home tonight if we have to.

22 That won't -- I mean we'll get done tonight on  
23 this witness, on this testimony, and you take as much time  
24 as you need, sir.

25 MR. THOMAS: All right.

1 BY MR. THOMAS:

2 Q So, you're not testifying to the accuracy and  
3 truth of the numbers that came out of library reference 105  
4 yourself. I'm sorry. What was the library reference? I'm  
5 -- I'm losing track of this.

6 A I did not participate in the preparation of  
7 library reference H-113.

8 Q All right.

9 So, that is a number that you're not really  
10 testifying to.

11 A I believe it is accurate. I have full faith --

12 Q I understand.

13 A -- in -- in my use of it.

14 Q But it's a number that was given to you by  
15 somebody else, and you're really testifying to the accuracy  
16 of what they told you, which is a fairly classic definition  
17 of hearsay.

18 MR. ALVERNO: Objection. I don't think the  
19 witness is prepared to offer a legal opinion on that.

20 BY MR. THOMAS:

21 Q But that number came -- you're not testifying to  
22 the accuracy of that number, then, yourself. You're  
23 depending on somebody else's -- the accuracy of somebody  
24 else's work.

25 A That's right. I believe, yesterday, the Postal

1 Service expressed willingness to put up a witness to testify  
2 to the accuracy of those numbers. I'm testifying to my use  
3 of those numbers.

4 Q If you pulled out of this diagram the -- some of  
5 these numbers that came from another source, could you reach  
6 the conclusions you've reached, or is this -- is this  
7 diagram dependent on both your numbers and other people's  
8 numbers?

9 A This diagram is dependent on multiple inputs.

10 Q Multiple inputs, not all of which are yours.

11 A Not all of which were developed by me or under my  
12 supervision.

13 Q What?

14 A Not all of which were developed by me or under my  
15 supervision.

16 Q All right.

17 Is this going to be true with regard to the other  
18 mail flow diagrams in here?

19 A The other letter mail flow diagrams?

20 Q Yes.

21 A I would have to check, but it may be -- it may not  
22 hold for my parcel models.

23 Q For the parcel models?

24 A It -- I would have to look, but all the inputs to  
25 the parcel models may have been done by me or under my

1 supervision. I think we're safe for the letter models that  
2 I was not involved in all the input that went into that.

3 Q All right.

4 So, with regard to Standard A mail, for example,  
5 the answer would be no, you did not -- you cannot testify to  
6 all of the numbers in these diagrams.

7 A That's correct.

8 MR. THOMAS: I think that established what I was  
9 after.

10 BY MR. THOMAS:

11 Q Going back once again to page 11 of your  
12 testimony, on line 23 there is a reference to library  
13 reference H-109 that shows mail processing cost differences.  
14 Is that something you did or was done under your  
15 supervision?

16 CHAIRMAN GLEIMAN: Mr. Thomas, you're going to  
17 have to speak up a little bit.

18 MR. THOMAS: I'm sorry.

19 BY MR. THOMAS:

20 Q Is library reference H-109 a study that was done  
21 by you or under your supervision?

22 A The Postal Service has put up Michael McGrane as a  
23 witness on that library reference.

24 Q But it's not yours.

25 A No, sir.

1 Q Okay.

2 If you could turn to -- well, I'm not sure if you  
3 have this at this point, and I'm not sure what the revised  
4 version says, but I was going to ask a question about the  
5 original response to ANM/USPS-T-29-11.

6 A I have both the original and the revised with me.

7 Q All right.

8 Now, is it true that there are model costs in  
9 there, a category of data referred to as model costs?

10 A In there?

11 Q In -- in --

12 A -- my response?

13 Q Yes. Referred to in your response.

14 A Yes, sir.

15 Q Now, is that model cost data made up of two types  
16 of cost data that go into mail processing -- that are part  
17 of the mail processing costs?

18 A Two types of cost data?

19 Q Yes. Exclusively.

20 A Well, I would say that whole list of library  
21 references that you read to me are the source of that  
22 number. So, it's multiple types of cost data.

23 Q Okay.

24 What I'm looking for here is that I thought that  
25 the model cost were made up of piece and sack or bundle

1 sorting costs.

2 A Piece distribution and bundling sorting costs.

3 Q Those are the only two costs that are considered  
4 in making up the model costs, right?

5 A Yes, sir.

6 Q Okay.

7 Now, those are not all of the mail processing  
8 costs that are incurred by the post office. Those two  
9 categories of processing costs do not make up all of the  
10 costs that are incurred by the post office in processing  
11 mail, right?

12 A Those are the ones that we felt would vary due to  
13 pre-sorting and pre-bar-coding, bundle sorting and piece  
14 distribution.

15 Q Right. But they're not all of the mail processing  
16 costs.

17 A No, sir.

18 Q Right.

19 In your analysis, you gross up or adjust your  
20 numbers that are derived there to make them equal the CRA  
21 data. Is that correct? You make an adjustment to those  
22 numbers.

23 A I reconcile my model costs to the CRA using  
24 proportional and fixed adjustments.

25 Q Right. And for most classes and subclasses of

1 mail, that adjustment exceeds 100 percent, because -- of  
2 --of the modeled costs, right?

3 A For Standard A regular, the proportional  
4 adjustment is greater than one.

5 Q And that's true for most sub -- classes and  
6 subclasses, that since these modeled costs don't comprise  
7 all of the costs, it is normal to expect that, because there  
8 are additional costs, you will have to mark up the modeled  
9 costs by a factor of more than one to get the CRA costs.

10 A The proportional adjustment is a ratio of modeled  
11 cost to comparable CRA cost pools. So, it's -- we've tried  
12 to pick the CRA cost pools that -- that we have attempted to  
13 model.

14 Q Uh-huh. But it normally wouldn't -- you would  
15 expect it to result in a multiplier greater than one.

16 A I don't know that that's always an expectation.  
17 That is the case in other classes -- that's the case in --  
18 in Standard A regular.

19 Q Okay.

20 In MC96-2, a similar adjustment for nonprofits was  
21 made. Is that not correct?

22 A Similar but not exactly. In -- in that docket, we  
23 compared model cost to total CRA cost, not a subset of CRA  
24 cost that we deemed would vary with work-sharing.

25 Q All right.

1           In this case you are comparing it with total CRA  
2 costs?

3           A     The proportional adjustment compares the model  
4 costs to subset of CRA costs which we expect to vary with  
5 prebarcoding and presorting.

6           Q     Now for some nonprofit categories in this rate  
7 case, the markup is less than 100 percent, right?

8           A     Markup?

9           Q     I'm sorry. Not the markup, the adjustment to the  
10 CRA data. It uses a multiplier less than one.

11          A     For Standard A nonprofit, my proportional  
12 adjustment is less than one.

13          Q     Can you explain why that would be less than one?  
14 All other classes are more than one. You don't have all of  
15 the costs in there, and suddenly two classes of costs when  
16 combined seem to exceed 100 percent of all costs.

17          A     Two classes of cost?

18          Q     The parcel and bundled handling costs that go to  
19 make up the model of the costs.

20          A     The piece distribution and bundle sorting cost?

21          Q     Right -- which go to make up the model of costs.

22          A     Right. When compared with similar piece  
23 distribution and bundle sorting costs in the CRA, it turns  
24 out that my model costs are higher than those comparable  
25 costs in the CRA.

1 Q Can you explain why that might be true for  
2 nonprofit but no other class -- or nonprofit standard?

3 A Okay. I believe we can go to an interrogatory  
4 response where I have discussed that -- 27 of ANM.

5 Are you already there?

6 Q Yes.

7 A Okay. Here I note that the input parameters that  
8 I have used in my mail flow models, the ones that we have  
9 been discussing, several of them are just an average over  
10 different classes and subclasses.

11 I have listed inputs such as the accept rates, the  
12 downflow densities and the productivities are not class  
13 specific and they may differ from the average in a direction  
14 that would result in a higher estimation of model cost.

15 Q When you saw that number, you were not surprised  
16 by that number?

17 A No, sir, I was not.

18 Q So you didn't do any kind of study or examination  
19 to find out whether that was a result of data, of strange  
20 data, or just a permutation of the model?

21 A No, sir. If you remember in the previous  
22 classification reform dockets, the nonprofit, nonmodel cost  
23 factor, a comparison of the model cost to total CRA cost,  
24 was much lower than that for regular rate, so here we have a  
25 similar phenomenon, so it did not surprise me.

1 Q So there was no follow-up to determine the source  
2 of that result?

3 A No, sir.

4 MR. THOMAS: That is all I have for this witness.

5 THE CHAIRMAN: Mr. Corcoran.

6 MR. CORCORAN: Thank you, Mr. Chairman.

7 CROSS EXAMINATION

8 BY MR. CORCORAN:

9 Q Ms. Daniel, I am Brian Corcoran. I represent  
10 Edison Electric Institute.

11 I have a few questions.

12 The first concerns weight and we asked you in an  
13 interrogatory about the average weight per piece for various  
14 rate categories of Standard A mail, and you referred us to  
15 Library Reference 145.

16 The rate categories are listed in our  
17 Interrogatory T29-7.

18 I went to Library Reference 145 to try to find  
19 those -- excuse me, the specific weights, and I have copies  
20 what I think are the relevant pages, and I wonder if you  
21 could help me with, tell me what the average weight is for  
22 these specific rate categories there.

23 MR. CORCORAN: I have handed the witness two pages  
24 from Library Reference 145 which I hope are the ones needed.  
25 And, if not, Ms. Daniel, please correct me.

1 BY MR. CORCORAN:

2 Q The specific pages are G-2, page 1 of 3, and G-4,  
3 page 1 of 6. Can you tell me what the average weight per  
4 piece is for letter-shaped basic three-digit and five-digit  
5 standard A regular mail is from the data I gave you?

6 A Not automated?

7 Q Automated.

8 A All right, so, separately for three-digit and  
9 five-digit?

10 Q Yes. There are three rate categories, are there  
11 not? Back, three-digit and five-digit.

12 A For automation mail.

13 Q That's what I am interested in.

14 A Okay. This says it's .9611 ounces.

15 Q What is that for.

16 A 3-D barcode discount is the line description.

17 Q Oh, you're -- okay, fine. I see. I see where  
18 you're reading. That's fine. And that, again, was .9611  
19 for three-digit barcode? Is that what you testified?

20 A Yes, sir, standard A regular.

21 Q I see it. And five-digit is .9480?

22 A Yes, sir.

23 Q Above that, what about for basic? Is there a  
24 figure for basic?

25 A Yes, sir, if you look right above zip plus four,

1 it says barcode discount, it's about the third right above  
2 the break, right above three-digit presort. And it says  
3 .9266.

4 Q Okay. And this heading says government -- GFY  
5 '96. Is that government fiscal year?

6 A I assume so, subject to check.

7 Q Are the average letter size per piece weights for  
8 these rate categories in the base year and test year  
9 identical to these or similar to these?

10 A Can you repeat that?

11 Q What I am trying to make sure is that these  
12 per-piece weights that you've identified are representative  
13 of the test year.

14 A These are base year numbers. I have no reason to  
15 assume differently for the test year but I cannot tell you  
16 for sure that is what it will be in the test year.

17 Q There is another entry here, and I just want to  
18 make sure it doesn't apply. It is in bold lettering, it  
19 says Letter Total. It is on the bottom quarter of the page.

20 A There are two places that it says Letter Total.

21 Q Right, I'm talking about the lower one.

22 A Okay, under three five-digit presort.

23 Q Is that what that's for? That's for --

24 A My understanding is that would be the revenue,  
25 pieces and weight of all three five-digit presort including

1 three-digit and five-digit automation letters.

2 Q Okay. So it includes -- that's fine. And maybe  
3 one other question.

4 If you would turn to the other page I gave you,  
5 which is the summary?

6 A Yes.

7 Q Do you see the -- on the bottom quarter of the  
8 page under the heading three/five-digit presort total, there  
9 is a column for letter total?

10 A Yes, sir.

11 Q And the weight there is higher than any of the  
12 others. And I am trying to figure out why, what that  
13 represents. Is that an average of the various categories  
14 you had read to me before?

15 A I'm not sure what this number would represents --

16 Q I think I have it now. It's the same, is it not,  
17 I guess, as the one -- it's .9985. Okay. You've cleared  
18 that up for me and I just muddied the water. So, thank you.

19 BY MR. CORCORAN:

20 Q Thank you. That's -- in your interrogatory  
21 response, you talked about billing determinants. Were those  
22 billing determinants used for purposes of this proceeding?  
23 Your interrogatory response to --

24 A I am not sure how these numbers were used. I did  
25 not personally use them.

1 Q Are you familiar -- well, let me put it this way.  
2 There is evidence by Mr. Hatfield that the average rate per  
3 piece for presorted First Class letter-shaped mail is in the  
4 range of .6 ounces. Have you seen that testimony?

5 A I don't remember that figure.

6 Q Okay, well, that's fine.

7 A I believe I did use the billing determinants, so I  
8 misspoke when I said I wasn't sure how these were used. I  
9 have used them. Not -- well, yes, I have used them.

10 Q For purposes of your testimony in this proceeding?

11 A Yes, sir.

12 Q Okay. And so therefore -- did you use them in the  
13 base year or test year?

14 A I believe I used them in Exhibit D. I used the  
15 volume splits in Exhibit D, page 1.

16 I just wanted to make sure that I didn't misspeak.

17 Q Okay. Your analysis shows the mail processing and  
18 delivery costs for, among other things, standard A,  
19 automation basic, three-digit and five-digit mail, correct?

20 A Exhibit C of my testimony summarizes that data.

21 Q Right. And is it also correct that you use the  
22 same CRA cost pools, months, cost pools that Witness  
23 Hatfield used to derive your mail processing cost?

24 A My cost pools came from the same source. I used  
25 standard A regular and nonprofit instead of First Class.

1 Q Yes, I didn't mean to imply that you were using  
2 First Class. And the productivities that you employ are  
3 essentially the same that he employs?

4 A With a few exceptions.

5 Q The operations that the -- and I am speaking here  
6 to letter-shaped mail. The mail processing operations that  
7 are used to process standard A mail are the same as those  
8 used to process First Class Mail presorted to the same  
9 degree?

10 A Generally, that is my understanding. But Witness  
11 Moden would be able to speak precisely to that.

12 Q Piggyback factors you apply are the same as he  
13 applied?

14 A Yes, sir.

15 Q The preparation requirements, mail preparation  
16 requirements are essentially the same for automation First  
17 Class?

18 A There are exceptions, as noted in one of my  
19 interrogatory responses.

20 Q Yes. You pointed us to the correct DMM section,  
21 thank you.

22 The only significant difference would be the pay  
23 premium or premium pay factor you use as compared to the one  
24 he uses?

25 A That is one of the differences.

1 Q Right. The costs that you develop for five-digit  
2 Standard A mail, for example the mail processing cost, is  
3 3.3904 cents?

4 A On page 2 of Exhibit C, that would be automation  
5 five-digit regular as opposed to nonprofit.

6 Q Correct. Did I have the -- I want to just make  
7 sure that I have the right --

8 A 3.3904. Yes, sir.

9 Q And the comparable cost that Witness Hatfield  
10 developed for five-digit First Class letter mail automation  
11 rate category is 3.0265?

12 A That is what I have reported on page 1 of my  
13 Exhibit c.

14 Q Okay. You also report in that exhibit, comparing  
15 pages 1 and 2, a higher delivery cost -- I'll phrase it this  
16 way.

17 You have shown a lower mail processing cost for  
18 First Class mail sorted to the same degree, yet you report a  
19 higher delivery cost for that mail.

20 First Class mail you report 3.573 versus for  
21 standard A 3.359 -- see that?

22 A Yes, sir.

23 Q And it's your understanding, is it not, that First  
24 Class letter mail -- I'll phrase it this way -- that Third  
25 Class, excuse me, Standard A letter mail five-digit on

1 average -- forget five-digit, but -- weighs approximately 50  
2 percent more than similarly shaped First Class mail?

3 A I don't remember or know for sure how much First  
4 Class mail weighs.

5 Q Well, take it subject to check it weighs about .6  
6 ounces depending upon the rate category.

7 A Subject to check --

8 MR. ALVERNO: I object. This is outside the scope  
9 of the witness's testimony.

10 She is not offering testimony regarding the weight  
11 of First Class letters in this docket.

12 THE CHAIRMAN: I think counsel was giving her a  
13 figure subject to check to ask her a question --

14 MR. CORCORAN: Right.

15 THE CHAIRMAN: -- about whether something was  
16 higher than something else, and I am going to allow the  
17 question to go.

18 MR. CORCORAN: Thank you.

19 BY MR. CORCORAN:

20 Q Can you confirm that the delivery costs you show  
21 for bulk metered letters uses the presort letter delivery as  
22 a proxy? So in other words --

23 A The costs are the same, as reported on page 1 of  
24 Exhibit C.

25 Q Yes, and as I understand your testimony, the

1 Postal Service does not have, if you look at Exhibit 29-C,  
2 does not have a specific cost for bulk metered mail but  
3 instead uses the presort letter cost, delivery cost as a  
4 proxy.

5 A I believe I redirected a similar question to the  
6 Postal Service. Let's look at Number 15.

7 Q Well, let's not look at 15, if that is an  
8 institutional response.

9 Let's look at page 11 of your testimony.

10 A 11?

11 Q Page 11. Don't you say that -- and maybe it's  
12 been changed -- I don't know -- but I thought there was  
13 testimony there that -- line 9 to 10.

14 A Yes, sir.

15 Q Okay, so my question is, you do not -- the Postal  
16 Service does not have a cost, a delivery cost specifically  
17 for bulk metered mail? Is that correct?

18 A I couldn't find that institutional response where  
19 I believe it says that we feel that the delivery cost  
20 reported --

21 Q Wait, wait, wait.

22 A -- is a -- is a good number.

23 Q I appreciate that. You pulled out an  
24 institutional response from your package, and it seems to me  
25 that --

1 MR. CORCORAN: I should address this to you, Mr.  
2 Chairman. It seems to me it's inappropriate for the witness  
3 to now refer to an institutional response if she didn't  
4 prepare it.

5 CHAIRMAN GLEIMAN: Sir, you asked her a question  
6 not -- if I -- if I remember your exact question -- and I  
7 can have it read back if you'd like -- you asked her whether  
8 the postal service had a delivery cost for bulk metered.  
9 You didn't ask her whether your testimony had a delivery  
10 cost.

11 If you asked her about the Postal Service, then I  
12 think it's wholly reasonable for her --

13 MR. CORCORAN: That's fine.

14 CHAIRMAN GLEIMAN: -- if she's familiar with an  
15 institutional response to pull out the institutional  
16 response that may have the answer to your question.

17 MR. CORCORAN: That's fine.

18 THE WITNESS: So, your question is?

19 MR. CORCORAN: Withdrawn. No, it's not. No, it's  
20 not withdrawn.

21 BY MR. CORCORAN:

22 Q If -- I don't know that I even got that response.  
23 I probably did, but tell me -- tell me what it says.

24 Let me ask you this. Is there -- does the Postal  
25 Service have data specifically on a delivery cost for bulk

1 metered mail? If you could answer that yes or no, and if  
2 there's an explanation, great.

3 A What we've said -- and the Postal Service has said  
4 in response to ABA and EEI and NAPM USPS-T-29-15 is that the  
5 main difference in delivery cost between bulk entered  
6 metered letters and non-automation pre-sort letters is  
7 likely due to the differences in percentage of DPS.

8 Available estimates, however, show that the  
9 percentage that is DPS is to be fairly close for metered  
10 letters and non-automation pre-sort, as shown in library  
11 reference H-129, pages I-6 and I-7.

12 The modeled percentages for DPS metered  
13 single-piece is 46.18 percent, while the modeled DPS  
14 percentage for non-automation pre-sort is 45.62 percent.

15 So, we've confirmed that the delivery costs for  
16 bulk metered first-class mail was simply inferred from the  
17 data for pre-sort letters.

18 Q Was this --

19 MR. CORCORAN: Does counsel have a copy of this,  
20 and could I see it?

21 MR. ALVERNO: Actually, you're lucky, I have an  
22 extra one.

23 BY MR. CORCORAN:

24 Q The last part of your response, I believe, is that  
25 it was inferred from --

1 A The question --

2 Q -- certain data.

3 A -- asked if it was infirmed -- inferred and the  
4 question answered by the Postal Service' was confirmed.

5 Q Yes. And just so I understand it, there is no  
6 specific figure for bulk metered mail delivery costs.

7 A All I really know about this is what I'm reading  
8 to you from this interrogatory response.

9 Q Okay.

10 Did you examine -- you simply accepted these  
11 delivery costs from Mr. Hume? Is that the -- is that your  
12 testimony?

13 A Yes, sir.

14 Q Did you, at the time you prepared your testimony,  
15 question the delivery cost element?

16 A No, sir, I'm not an expert on delivery costs. I  
17 would have no basis to question it.

18 Q Bulk metered mail is not -- is not presorted. In  
19 terms of the benchmark that the Postal Service is using, is  
20 it correct that it is assumed that bulk metered mail is not  
21 presorted?

22 A Actually I don't know much about bulk metered  
23 mail, either.

24 Q Bulk metered mail has the cost characteristics of  
25 nonpresorted mail; is that true?

1           A     The cost of First Class mail -- I am just  
2 reporting this cost for simplicity, for other witnesses to  
3 use. I'm not really comfortable testifying about the cost  
4 of First Class mail.

5           Q     Would you turn to your response to the Presiding  
6 Officer's Information Request No. 3, Question 2 --

7           A     Yes, sir.

8           Q     In which you discuss various aspects of bulk  
9 metered mail -- bulk metered letter mail.

10                  Did you find it?

11          A     Yes, sir.

12          Q     Now isn't it true that -- or perhaps you don't  
13 know -- that for purposes of this case the Postal Service  
14 has assumed that in establishing its proposed benchmark,  
15 which you show in Exhibit 29-C, that bulk metered mail is  
16 not presorted?

17          A     Okay. Bulk metered mail is not presorted.

18          Q     Yes. You agree with that statement.

19          A     I'll agree.

20          Q     And therefore it has the cost characteristics of  
21 nonpresorted mail. Is that true?

22          A     I would say it has the cost characteristics of  
23 bulk metered mail.

24          Q     Nonpresorted bulk metered mail then.

25          A     Nonpresorted bulk metered mail.

1           Q     Right.  And on becoming presorted, that mail will  
2     assume the cost characteristics of presorted mail; is that  
3     correct?

4           A     If bulk metered mail were to become presorted I  
5     would assume it would have the cost of presorted bulk  
6     metered mail.

7           Q     And to the extent formerly bulk metered mail  
8     becomes presorted, it provides the Postal Service savings,  
9     cost savings, mail processing, delivery, and other costs; is  
10    that true?

11          A     May I take a minute to read more thoroughly this  
12    answer?

13          Q     Sure.

14          A     In the response to this I believe we've said if  
15    the cost characteristics of bulk metered mail, letters, with  
16    respect to functions other than mail processing and  
17    delivery, are more like presort mail, then it would take on  
18    the presort mail quote other unquote cost.  Conversely it  
19    says if the bulk metered letters are more like nonpresort  
20    mail in these respects, the total cost would include the  
21    cost of the nonpresort nonmail processing and delivery  
22    costs.

23          Q     Right.

24          A     So I don't think that we've said that if it  
25    becomes presorted --

1 Q Well, isn't it the case that the benchmark is  
2 predicated on the notion that they're not presorted? That's  
3 true, is it not?

4 A The benchmark being the cost of bulk metered mail  
5 as reported in 29-C.

6 Q Correct.

7 A I assume they are for -- it assumes that they're  
8 nonpresorted.

9 Q And to the extent that that mail converts to  
10 presortation it will take on the cost characteristics of  
11 presorted mail that are shown in Exhibit 29-C.

12 A This --

13 Q Including mail processing and delivery. Correct?

14 A This response is saying that it would take on the  
15 cost somewhere in that range. It says thus, when the --  
16 well, it appeared the volume variable unit costs for bulk  
17 metered letters lies somewhere in between the two costs.

18 Q Right. I understand. But I want to make sure  
19 we're saying -- that you're answering my question. That you  
20 show a cost in 29-C for bulk metered letters of 14  
21 something, 14.7 cents, I guess it is. And to the extent say  
22 that were to convert to five-digit mail, the costs, the mail  
23 processing and delivery costs, would be reduced to whatever  
24 you show there, 6.6 cents. Isn't that true?

25 A 6.6 cents rounded is the cost of automation

1 five-digit --

2 Q Right.

3 A Mail processing and delivery costs for First Class  
4 mail.

5 Q Right. So to the extent that this formerly  
6 unsorted mail converts, the Postal Service will  
7 experience cost savings for mail processing, delivery, and  
8 other costs. Isn't that true?

9 A It may be reasonable to assume that it saves some  
10 other costs by becoming five-digit automation presort.

11 Q Or any presort level? It wouldn't be as great as  
12 five-digit but any presort level?

13 A It may.

14 Q Oh, I don't like those equivocal answers. It  
15 must, don't you agree?

16 A I guess a lot depends on exactly what the cost  
17 characteristics of the other cost of that bulk metered mail  
18 was before it decided to become presorted.

19 Q Sure.

20 A So I'm not sure.

21 Q But whatever those reductions are, they are  
22 directly related to the fact that the mail is presorted;  
23 isn't that true?

24 A I am not sure how non -- nondelivery and nonmail  
25 processing costs vary with the presort level.

1 Q Does -- are you familiar with how these other  
2 costs are spread among various types of mail?

3 A Spread?

4 Q Yes, is it based on a piggyback factor or  
5 something else?

6 A I understand how they were calculated in this  
7 interrogatory response. I am not sure how they are  
8 distributed or spread.

9 Q These "other" costs relate to costs other than  
10 mail processing, delivery and transportation; is that  
11 correct?

12 A Well, if you mean the cost in the Presiding  
13 Officer's information request or do you mean in other pages  
14 of Exhibit C, standard A, other costs as I have used it?

15 Q Well, if you have a distinction, I will take both.  
16 If they're supposed to mean the same, that's fine. You can  
17 tell me.

18 A In the Presiding Officer's information request,  
19 transportation costs would be included as nonmail processing  
20 and delivery. In my Exhibit C, I have calculated  
21 transportation costs separately. So in my Exhibit C, other  
22 costs would be not mail processing, not delivery and not  
23 transportation.

24 Q And do those costs vary by presort level?

25 A I have made no distinction in my testimony.

1 Q Does the Postal Service as a general matter, do  
2 you know?

3 A I don't know.

4 Q Have you examined, for example, USPS-T-5, which is  
5 base year costs, as I understand it?

6 A No, sir.

7 Q Okay.

8 Just one final and hopefully brief matter.

9 Could you turn to your appendix one, page -- page  
10 one?

11 A Okay.

12 Q Now in -- you had acknowledged before that, for  
13 the most part, your productivities are the same as Mr.  
14 Hatfield's, with some exceptions, and I just wanted to  
15 explore a couple of those.

16 If you look at the pieces per hour, column two,  
17 for the outgoing primary, you use a figure of 8,393 pieces  
18 per hour.

19 A For the bar-code sorter, <sup>MPBCS</sup>~~NPBCS~~?

20 Q Yes. And Mr. Hatfield uses a figure of 7,367? I  
21 could show you his testimony, or you can accept it subject  
22 to check.

23 A I'll accept it subject to check.

24 Q What's the reason for the difference? Let me  
25 point out that that applies to outgoing secondary, the AADC

1 distribution, the SCF operations, and the incoming primary  
2 operations, I believe. Do you know why they differ?

3 A No, sir.

4 MR. ALVERNO: I think it would be helpful if the  
5 witness could review a copy of that.

6 THE WITNESS: It would actually help me to see his  
7 source for that number.

8 BY MR. CORCORAN:

9 Q Turn to your --

10 A His source is his appendix one, page 32.

11 Q Right. Correct.

12 A I don't know why they're different.

13 Q Do you know which one is correct, or is it  
14 possible they're both correct?

15 A We would have to go to library reference H-113.

16 Q Similarly, with respect to your incoming  
17 secondary, at the -- the DBCS, first pass and second pass,  
18 you flip-flop the numbers with Mr. Hatfield again, and you  
19 use what he used for the prior operations, you use 7,467,  
20 and he uses what you used for the prior operations, 8,393.  
21 Do you know why that is?

22 A No, sir.

23 Q Do you know which one is correct?

24 A No, sir.

25 MR. CORCORAN: Thank you. That's all I have.

1           CHAIRMAN GLEIMAN: The witness has been up there  
2 for quite a while. I think we're going to take a 10-minute  
3 break right now. We'll be back at 20 after the hour, and  
4 we'll pick up with Florida Gift Fruit Shippers.

5           [Recess.]

6           CHAIRMAN GLEIMAN: My short-term memory failing me  
7 once again, I forgot that Mr. Wells told me his real purpose  
8 for being here this week was to bring us this lovely Florida  
9 weather that we're having. He indicated that he would only  
10 have followup, and that brings us next to the National  
11 Federal of Non-Profits. No? I guess, if they're not here,  
12 they can't cross examine.

13           Well, Mr. Baker, you're it, for the Newspaper  
14 Association of America, whenever you're ready to start.

15           MR. BAKER: Thank you, Mr. Chairman.

16           CROSS EXAMINATION

17           BY MR. BAKER:

18           Q     Good afternoon, Ms. Daniel.

19           A     Good afternoon.

20           Q     I'm happy to say that I will be here for less time  
21 with you than I had planned, after learning on Monday that  
22 Mr. McGrane will appear -- be coming in sometime later with  
23 some of the questions I had thought I'd ask you.

24           Could you -- I'd like to begin by asking you to  
25 turn to Exhibit 29-D, page one of six. Do you have it?

1 A Yes, sir.

2 Q And am I correct that, in this exhibit, you derive  
3 different unit costs for ECR basic flats and for ECR  
4 high-density flats and for saturation flats?

5 A Actually, it's the same number for high-density  
6 and saturation.

7 Q That's correct, but --

8 A Yes, sir.

9 Q -- they are derived here on -- in this exhibit.

10 A Yes, sir.

11 Q And are these mail-processing costs?

12 A Yes, sir.

13 Q And if I read this correctly for ECR basic  
14 non-letters, do you come up with a test year unit cost of  
15 2.3834?

16 A Yes, sir.

17 Q And similarly, for high-density and saturation,  
18 it's 0.2753.

19 A Yes, sir.

20 Q And so, the difference that you calculate here  
21 between basic and high-density saturation is about 2.1  
22 cents, about?

23 A About.

24 Q Uh-huh. And is it your understanding that this  
25 exhibit and these numbers ultimately work their way into Mr.

1 Moeller's testimony as an input?

2 A That's my understanding.

3 Q Okay.

4 Do you recall what the difference was in  
5 mail-processing costs between ECR basic flats and saturation  
6 flats in docket MC95-1?

7 A I believe we used average cost across all the rate  
8 categories. So, we didn't show a difference in mail  
9 processing cost.

10 Q So, there was no difference.

11 A We didn't show a difference.

12 Q You did not show a difference in that case. So,  
13 then, is this analysis that provides different costs for ECR  
14 basic on one hand and saturation high-density on the other  
15 new to this case?

16 A Yes, sir.

17 Q Okay.

18 Now, your calculation here on Exhibit 29-D, page  
19 one, begins with a base year unit cost presented in column  
20 one, correct?

21 A Yes, sir.

22 Q And if I read this correctly, I guess it's a  
23 footnote or the number one above the column drops me down  
24 about two-thirds of the page, which tells me that the base  
25 year unit costs listed in column one were themselves

1 calculated by dividing base year costs derived from library  
2 reference H-109 by the billing determinants, correct?

3 A Yes, sir.

4 Q And in fact, do you make matters more convenient  
5 for us by presenting that calculation on the bottom of this  
6 page of the exhibit?

7 A That was my intention.

8 Q Well, thank you.

9 Now, on the -- turning your attention to the  
10 bottom of the page, I notice that the four rows of the  
11 bottom of that page are indicated not WS-endorsed letter,  
12 WS-endorsed letters, not WS-endorsed non-letters, and  
13 WS-endorsed non-letters.

14 Does "WS" stand for walk sequence?

15 A Yes, sir.

16 Q And are these cost figures there in this, I guess  
17 the second column, refers to costs found in LR H-109, is  
18 that correct?

19 A That's correct.

20 Q I want to take a moment to trace where in LR H-109  
21 these figures are. Do you have that reference with you?

22 A Yes, sir.

23 Q As you turn to that, let me ask you first, I know  
24 that Mr. McGrane will be testifying, or I believe I was told  
25 this morning has already submitted his testimony on that,

1 which I have not seen yet.

2 Did you have anything to do with 109's  
3 preparation?

4 A No, sir.

5 Q No, okay, so it was strictly an input to you?

6 A Yes, sir.

7 Q Now could you please turn to page 8 of that  
8 library reference, Table 2

9 A Yes, sir.

10 Q Is this the source of the numbers found --  
11 presented at the bottom of Exhibit 29-D, page 1?

12 A Yes, sir.

13 Q And in particular, it is under the regular rate  
14 category of Table 2 as a library reference. Is column 4 the  
15 source for the not walk sequence endorsed numbers?

16 A Yes, sir.

17 Q And column 5 is the source for the walk sequence  
18 endorsed numbers?

19 A Yes, sir.

20 Q Okay. Now let's return back to Exhibit 29-D.

21 Let me just ask at this point -- let's just assume  
22 hypothetically if there were hypothetically some problem or  
23 error in Library Reference 109 that affected those numbers,  
24 would that error then be carried over into your exhibit and  
25 throughout your testimony where those numbers are used?

1           A     Whatever the correct numbers are that are right  
2 here as you described in 109 feed directly into my Exhibit  
3 29-D. Yes, sir.

4           Q     So if there was a wrong number, if that were a  
5 mistake of some kind in that number, that would infect, if  
6 you will, your numbers, the numbers you used?

7           A     Yes, sir.

8           Q     Okay. Now back at the bottom of Exhibit 29-D,  
9 page 1, the calculation you present at the bottom of that  
10 exhibit, you come up with a unit cost of 0.2637 for both  
11 high density and saturation nonletters, correct?

12          A     Yes, sir.

13          Q     Using the walk sequence endorsed nonletters'  
14 number? That is the walk sequence endorsed nonletter row,  
15 correct?

16          A     0.2637.

17          Q     Right, and do you use the non-walk sequenced  
18 nonletter unit cost estimate of 2.283 cents for ECR basic  
19 nonletters?

20          A     Yes, sir.

21          Q     Why did you do that?

22          A     Because basic mail is not walk sequenced. It  
23 would not be endorsed walk sequenced.

24          Q     Are you familiar -- it would not be endorsed walk  
25 sequenced. Are you familiar with the eligibility

1 requirements for ECR basic nonletters?

2 A Generally.

3 Q Do you know whether ECR basic nonletters are  
4 currently required to be presented in either walk sequenced  
5 or line of travel form?

6 A It is my general understanding it would be line of  
7 travel.

8 Q Your general understanding -- what is your general  
9 understanding based on? What is your general understanding  
10 based on?

11 A That they are endorsed LOT.

12 Q Do you know if basic ECR basic non-letters can be  
13 entered in walk sequence?

14 A I guess it could. The 10 pieces or more.

15 Q Well, from where you're talking at a level that  
16 can include from 10 pieces to 124 pieces.

17 A That's correct.

18 Q So, they could be entered at -- in walk sequence  
19 format.

20 A They could be.

21 Q Uh-huh.

22 Do you know what the difference in cost is between  
23 walk sequenced and line of travel mail?

24 A No, sir.

25 Q Why, then, did you calculate the mail processing

1 costs for a type of mail that must be either walk sequenced  
2 or line of travel sequenced using unit cost data from  
3 non-walk sequenced mail?

4 A This is mail that's not the high-density or the  
5 saturation. <sup>It</sup> is not endorsed to be paying the high-density or  
6 the saturation.

7 Q That is to say it did not have the magic letter  
8 "WS" on the mail piece --

9 A And presumably did not qualify -- for that rate  
10 category.

11 Q So, your decision to use the non-walk sequenced  
12 input in calculating the costs of the ECR basic non-letter  
13 was your belief that that mail need not be walk sequenced.  
14 Did you think it would need -- is that correct?

15 A Can you say that again?

16 Q All right.

17 When you made your assumption that it was  
18 appropriate to use the non-walk sequenced cost information  
19 from calculating basic ECR costs, did you assume that basic  
20 ECR mail is only line of travel sequenced?

21 A No, sir. I would have assumed that basic  
22 non-letters would not be endorsed with "WS", that basic mail  
23 does not qualify to have that endorsement, and it's -- yes.

24 Q Is it the endorsement or whether the mail was  
25 actually walk sequenced that saves the costs?

1           A     The endorsement is allowed on pieces qualifying  
2 for high-density and saturation, and it's that mail that is  
3 cheaper on a unit cost basis than mail that does not qualify  
4 to get that endorsement.

5           Q     Well, then -- so, see if I can wrap up here. What  
6 you did, then, was in calculating the unit cost for the  
7 basic ECR non-letters, you used non-walk sequence cost data  
8 rather than the walk sequence cost data presumably because  
9 you felt that it was more appropriate to use that.

10          A     We used the data for pieces that did not have a  
11 walk sequence endorsement on it.

12                   MR. BAKER: Very well.

13                   I have no more questions, Mr. Chairman.

14                   CHAIRMAN GLEIMAN: Mr. McKeever?

15                   MR. MCKEEVER: Thank you, Mr. Chairman.

16                                   CROSS EXAMINATION

17                   BY MR. MCKEEVER:

18           Q     Ms. Daniel, I'm going to ask you to shift you  
19 frame of reference for a while now to Standard B mail.

20                   Now, you use conversion factors in doing some of  
21 your cost calculations for Standard B mail. Is that  
22 correct?

23           A     That's correct.

24           Q     I just want to make it clear what a conversion  
25 factor is, so that I make sure I understand it.

1           The way I understand it, you have some cost  
2 information or some information on what it costs to handle  
3 sacks, but you -- for example, as one type of container --  
4 but you want to know how much it costs to handle pieces.  
5 So, if you can get information on how many pieces, on  
6 average, are in a sack, you can convert your cost  
7 information for sacks into cost information per piece. Is  
8 that right?

9           A     That's right.

10          Q     Okay.

11                 Now, you used Postal Service data to determine a  
12 conversion factor of how many pieces are in a sack in the  
13 case of machinable pieces for parcel post. Is that correct?

14          A     That's correct.

15          Q     Do you recall what your conversion factor for  
16 sacks for machinable parcel post pieces is?

17          A     Yes. If we refer to page 17 of my appendix five

18 --

19          Q     Yes.

20          A     -- in column eight, you'll see the figure 5.8.

21          Q     So, your conversion factor for machinable pieces  
22 of parcel post is 5.8 pieces per sack.

23          A     Yes, sir.

24          Q     Okay.

25                 Now, on page 12 of your testimony -- and I'm --

1 I'm shifting gears on you here, okay?

2 On page 12 of your testimony, you state that  
3 you've estimated certain parcel post costs by using mail  
4 flows, productivities, conversion factors of pieces per  
5 container, wage rates, and piggyback factors to model the  
6 test year operating environment and its costs. Is that  
7 right?

8 A That's correct.

9 Q And once you get those modeled costs, those costs  
10 that come out of your model, you then tie them back to cost  
11 and revenue analysis mail processing cost pools. Is that  
12 correct?

13 A That's correct.

14 Q Okay.

15 Now, if the mail flows and the productivities and  
16 the conversion factors and the piggyback factors -- all  
17 those things that you put into your mail flow model -- for  
18 the activities that you model perfectly represented all the  
19 details of what actually happens out there in those modeled  
20 activities, your modeled costs would equal or at least come  
21 very close to equaling the costs shown by the costs and  
22 revenue analysis for those modeled activities, wouldn't it?  
23 That was a long question. Do you want me to try it again?

24 A That would be helpful.

25 Q Okay.

1           Now, if all the factors you put into your model,  
2     the -- the mail flows and the productivities and the  
3     conversion factors, if you were able, in your model, for the  
4     costs that you model, to actually capture what is going on  
5     out there, the costs you come up with for those modeled  
6     activities should come reasonably close to the costs shown  
7     by the CRA for those modeled activities, shouldn't it?

8           A     Well, "reasonably close" is a rather subjective  
9     term, and the models are simplifications of reality and try  
10    to reflect the major activities that we think would vary  
11    from -- for the activities that we're trying to calculate  
12    cost avoidances for.

13          Q     Right.

14                Well, I said reasonably close because I didn't  
15    want to say that they would equal exactly, because no model  
16    can ever capture reality, as you say, exactly. Is that  
17    right?

18          A     That's fair.

19          Q     Okay. And in fact, when you did your mail flow  
20    models here, that didn't happen.

21                So, as I understand it, you adjusted your modeled  
22    costs to take into account the extent to which those modeled  
23    costs did not correspond with the CRA costs for those same  
24    activities. Is that right?

25          A     That's correct. I used a proportional adjustment.

1 Q That's what I was just going to -- that's your  
2 proportional adjustment.

3 A Yes, sir.

4 Q Okay.

5 Could you turn to your Exhibit USPS-29-E, page  
6 one, please? And specifically, I'd like to address your  
7 attention to table two on that page. You have an entry  
8 there for weighted average model cost, and that is 57.21  
9 cents per piece?

10 A Yes, sir.

11 Q So, your model resulted in a weighted average  
12 model cost of 57.21 cents per parcel post piece. Is that  
13 correct?

14 A That's correct.

15 Q Now, could you turn to page two of that exhibit?  
16 That shows, among other things, the CRA costs for the  
17 activities you modeled. Is that correct?

18 A Yes, sir.

19 Q And in fact, those activities are the ones where  
20 there's an entry in the column entitled -- or the heading  
21 entitled "Proportional"?

22 A Yes, sir.

23 Q So, where there's a -- where there's a figure in  
24 the proportional column, that's an activity that you modeled  
25 in your model.

1 A Yes, sir.

2 Q And on page two, these are the costs that the CRA  
3 shows for those activities. Is that right?

4 A That's correct.

5 Q And when you add up those CRA costs for the  
6 modeled activities, they come to 92.768 cents per piece?

7 A Yes, sir.

8 Q Okay.

9 So, with respect to the modeled activities, your  
10 calculation is 57.21 cents under your model, but the CRA  
11 shows 92.77, I think you round it to. Is that right?

12 A That's correct.

13 Q And you take the ratio of those two numbers to  
14 come up with your proportional adjustment?

15 A That's correct.

16 Q 92.77 divided by 57.21 is 1.62. Is that --

17 A Yes.

18 Q -- correct?

19 A Yes, sir.

20 Q And that's your proportional adjustment?

21 A Yes, sir.

22 Q Now there are some CRA costs that your model does  
23 not try to capture or model; is that correct?

24 A That's correct.

25 Q These are again shown on Exhibit USPS-29-E, page

1 2, in the last column, every activity where it does not say  
2 modeled?

3 A The costs are in the fixed column.

4 Q Yes.

5 A Yes, sir.

6 Q And when you add those up, the CRA shows those  
7 costs to be 31 -- I want to make sure I get the right figure  
8 in light of the revision -- 31.07 cents per piece. Is that  
9 right?

10 A Yes, sir.

11 Q And going back to page 1 then, you have to take  
12 your model cost of 57.21, apply the proportional adjustment,  
13 and then add 31.07 cents per piece to get the cost that the  
14 CRA shows?

15 A Yes, sir.

16 Q Okay. It may seem a little tedious, but bear with  
17 me for just another minute or two. I'd like to take an  
18 example to illustrate it. And let's use on page 1 of your  
19 exhibit in Table 3, inter-BMC machineable non-bar-coded  
20 Parcel Post pieces. Okay? That's the first type of mail  
21 you show on Table 3; correct?

22 A That's correct.

23 Q And there if you were to use your model you would  
24 come up with a cost of 70.77 cents per piece for inter-BMC  
25 machineable non-bar-coded mail; is that correct?

1           A     That's correct.

2           Q     But you know that the CRA reflects a different  
3     cost, so you take that number, multiply it by your  
4     proportional adjustment of 1.62, then add in your fixed  
5     adjustment of 31.07 cents, so that you conclude that the  
6     cost per piece of an inter-BMC machineable non-bar-coded  
7     piece is \$1.46.33 cents. Is that correct?

8           A     Well, one thing that you said is the CRA doesn't  
9     show the cost for inter-BMC machineable.

10          Q     Okay. It shows the cost for certain activities.

11          A     Shows the cost for certain activities for Parcel  
12     Post as a subclass.

13          Q     Right. But you're able to divide those up for the  
14     activities that an inter-BMC machineable non-bar-coded piece  
15     goes through?

16          A     I've attempted to model that.

17          Q     Right. And comparing it the CRA costs, well,  
18     we've been through it.

19          A     Right.

20          Q     Okay. You don't know that the 1.62 factor applies  
21     equally to all the different activities that you modeled, do  
22     you? I mean, it might be 1.4 for some activities and 1.7  
23     for others, but it comes out to 1.62 on average.

24          A     The way we've structured our CRA adjustments is  
25     not on necessarily an activity-by-activity basis, but on a

1 total model cost basis.

2 Q That's really all I was asking. Thank you.

3 Now I did one more calculation. Am I correct that  
4 the cost as measured by your model reflects about 46 percent  
5 of the total CRA cost you seek to account for? And I get  
6 that by taking the 92.77 cents, the CRA cost -- the CRA cost  
7 after applying the proportional -- let me start over again.

8 I take that by taking your 92.77 cents on your  
9 Exhibit 2, adding 31.07 -- that's the fixed cost  
10 adjustment -- to come to \$1.23.84, and then I compared that  
11 to your 57.21 cents modeled cost, and then divided the 57.21  
12 by the \$1.23.84, and got 46 percent.

13 A That's the math.

14 Q Okay. Do you have some --

15 A I have not attempted to model some -- the entire  
16 CRA cost.

17 Q No, I understand that. And even with respect to  
18 that that you did model, you had to make a proportional  
19 adjustment; correct?

20 A That's correct.

21 Q Okay. Now when you multiply your modeled cost by  
22 1.62, if you do that for two different types of mail, just  
23 by the nature of the process, multiplying each by 1.62, you  
24 increase the amount of the cost difference between those two  
25 different types of Parcel Post pieces shown in Table 3, for

1 example. Is that correct?

2 A That's how the math works.

3 Q Okay.

4 And again, I'd like to take an example. Looking  
5 only at your model costs, the cost difference between an  
6 inter-BMC machinable non-bar-coded piece and an inter-BMC  
7 machinable bar-coded piece -- the only difference between  
8 those two pieces now is that one's bar-coded and the other  
9 isn't -- is 2.16 cents per piece.

10 Is that correct, as calculated by your model,  
11 without any adjustment?

12 A 2.09.

13 Q 2.09? Well, perhaps I didn't use the revised  
14 figures. Okay. That's close enough. But the discount you  
15 propose is 4 cents per piece for bar-coding, pre-bar-coding.  
16 Is that correct?

17 A I'm sorry. It was 2.16, not 2.09.

18 Q Okay. Well, I feel a little bit better. I -- I  
19 did this late last night, so I wasn't sure.

20 A I'm not sure that those model costs include all  
21 the cost that I use in calculating the bar-code savings.

22 Q No, I'm sure they don't.

23 A These don't include the ribbon and label costs,  
24 for instance.

25 Q Right. And we're going to get to that. But we're

1 starting with your model showing a cost difference of 2.16  
2 cents per piece, correct?

3 A That's correct.

4 Q Okay. The discount you propose is 4 cents per  
5 piece.

6 A I'm not proposing a discount.

7 Q All right. The discount the Postal Service  
8 proposes is 4 cents per piece. Do you know that?

9 A Yes, sir.

10 Q Okay. And that's because the calculations for the  
11 non-bar-coded piece and the calculations for the bar-coded  
12 piece are both multiplied by the 1.62 factor, for example.  
13 So, if you multiply 2.16, the difference, by 1.62, you come  
14 up to something like 3 1/2 cents. Is that correct?

15 A That's correct.

16 Q Okay. It's still less than the 4 cents, and  
17 here's where we get now to your ribbon cost, okay, and that  
18 is shown somewhere -- I forget exactly where now -- in your  
19 -- in your exhibit.

20 A Page six.

21 Q That's right, page six. And you <sup>add</sup> ~~had~~ a half-a-cent  
22 apiece to that roughly 3.5 cents to get a discount of 4  
23 cents per piece. Is that right?

24 A That's correct.

25 Q Okay.

1 Do you have any idea how much the ribbons cost?

2 A The figure was provided to me from operations in  
3 total, not separately.

4 Q Do you know how many pieces can be bar-coded  
5 before a ribbon has to be changed?

6 A No, sir.

7 Q Okay.

8 You list your source for that number as an  
9 engineering estimate?

10 A Yes, sir.

11 Q Do you have any detail on that beyond that it's  
12 half-a-cent apiece?

13 A No, sir.

14 MR. McKEEVER: Okay.

15 Mr. Chairman, that's all I have.

16 CHAIRMAN GLEIMAN: Is there any followup?

17 [No response.]

18 CHAIRMAN GLEIMAN: No followup?

19 Questions from the bench?

20 [No response.]

21 CHAIRMAN GLEIMAN: No questions from the bench.

22 Do you want to take a few minutes, counselor, with  
23 your witness?

24 MR. ALVERNO: Please.

25 CHAIRMAN GLEIMAN: Let's take 10.

1 [Recess.]

2 CHAIRMAN GLEIMAN: Mr. Alverno, before we move  
3 ahead on the redirect, I have a couple of housekeeping  
4 matters and as long as Mr. Baker is still here and since I  
5 may ask him a question, I'd best do it now.

6 During the course of cross examination I heard the  
7 witness mention a number of library references, among them  
8 Reference 145 and 195 and she may have referred to others  
9 also.

10 I presume the Postal Service will continue to  
11 assure us that library references prepared for use in this  
12 case will be sponsored by a witness competent to answer  
13 questions on their content and development. That is one  
14 matter.

15 The other matter that I need to touch on concerns  
16 the pending motion to strike portions of the testimony of  
17 Witness Moeller that was filed by NAA.

18 The Postal Service filed a response in which it  
19 indicated that it intended to present a witness to sponsor  
20 information relevant to that motion, and what I want to  
21 know, Mr. Baker, is October the 23rd, which is two weeks  
22 from today I think -- it is a Thursday -- an acceptable day  
23 as far as you are concerned?

24 Witness Daniel has been kind enough to agree to  
25 come back to accommodate one of the other Intervenors, and I

1 would like to know whether that would be a good day for us  
2 to attempt to schedule the cross examination that you might  
3 want to undertake of the witness the Postal Service is going  
4 to put up in connection with that pending motion.

5 MR. BAKER: Mr. Chairman, I have not yet seen that  
6 supplemental testimony, although I understand it was served  
7 maybe yesterday and I should get it either in today's mail  
8 or tomorrow's.

9 While I would like to reserve a final judgment  
10 until after I have had a chance to read it, right now I  
11 would think that looks acceptable to me.

12 CHAIRMAN GLEIMAN: All right. I would  
13 respectfully request that if a problem develops between now  
14 and close of business tomorrow with regard to the 23rd, if  
15 you would please let Mr. Sharfman, our General Counsel,  
16 know, so that we can do some juggling around of whatever  
17 schedule we are going to have. Thank you.

18 With that, Mr. Alverno, do you have redirect for  
19 the witness?

20 MR. ALVERNO: I'm sorry, Mr. Chairman, yes.

21 I don't know how long Mr. Baker was planning on  
22 staying. I think --

23 CHAIRMAN GLEIMAN: Well, I don't know that he was  
24 leaving.

25 MR. ALVERNO: Okay.

1           CHAIRMAN GLEIMAN: I just wanted to get my  
2 housekeeping out of the way. I have as you know from today  
3 I am having short term memory problems.

4           MR. ALVERNO: One of the things we could do, I  
5 don't know if he was planning on staying at the Commission  
6 to do research or whatever afterwards, but we could have the  
7 messenger bring over a copy for him, if he would prefer to  
8 have one available.

9           I mean I don't know how long you are going to  
10 stay. The messenger comes at a fixed time.

11          MR. BAKER: I will go back to our previous  
12 off-the-record agreement this morning and call you when you  
13 go back to the office.

14          MR. ALVERNO: All right.

15          CHAIRMAN GLEIMAN: I know when the messenger  
16 usually gets here, especially if there is a lot of paper to  
17 be delivered that day. It's two minutes to 5:00 and with  
18 any luck we won't be around here, or at least in the hearing  
19 room at that point in time.

20          Mr. Alverno, we appreciate the offer, but --

21          MR. ALVERNO: Okay. Sometimes that messenger is  
22 coming at that hour because of me so I take responsibility  
23 for that.

24                                   REDIRECT EXAMINATION

25                   BY MR. ALVERNO:

1 Q Ms. Daniel, I want to direct your attention to  
2 Exhibit D of your testimony, page 1, and this arose during  
3 Mr. Baker's cross examination of you.

4 Do you have a copy there with you?

5 A Yes, sir.

6 Q And he asked you in particular about the line item  
7 identified as, at the bottom of the page, as non-walk  
8 sequenced endorsed nonletters, is that correct?

9 A That's correct.

10 Q Okay, and he asked you about the unit cost that is  
11 reported there of 2.2830, correct?

12 A That's correct.

13 Q Okay, and do you have an opinion as to whether or  
14 not that unit cost figure reflects the makeup of basic  
15 enhanced carrier route mail, that is, mail that is entered  
16 in -- it has carrier route within the basic category?

17 A That would be the cost of basic nonletters whether  
18 or not they happen to be walk sequenced by the mailer or  
19 not.

20 Q Okay. Could you illustrate for me an example in  
21 which a mailer would in fact present walk sequenced letters  
22 within the basic category?

23 A A mailer could choose to walk sequence that basic  
24 mail, but if he didn't have 125 pieces, it would not have a  
25 WS endorsement. Any savings that the Postal Service

1 incurred or realized due to the mailer walk sequencing that  
2 mail for us is reflected in the not walk sequence endorsed  
3 unit cost.

4 Q And this applies both to the line item for not  
5 walk sequenced endorsed nonletters as well as the nonwalk  
6 sequence endorsed letters? Do you have an opinion on that  
7 as to whether both --

8 A That is correct. The same argument is held for  
9 both letters and nonletters.

10 MR. ALVERNO: That's all I have, Mr. Chairman,  
11 thank you.

12 CHAIRMAN GLEIMAN: Recross?

13 Mr. Baker.

14 RE CROSS EXAMINATION

15 BY MR. BAKER:

16 Q Ms. Daniel, the opinion that you just expressed,  
17 is it based on your understanding of how data in LRH-109 was  
18 collected, or is it based on some other foundation?

19 A It's based on my understanding that as I admitted  
20 before, that mail that's not paying -- that is paying the  
21 basic rate could possibly be walk sequence, but it's not  
22 going to be able to have a walk sequence endorsement.

23 The library reference used tallies of walk  
24 sequence endorsed pieces, and the tallies for pieces that  
25 were not walk sequence endorsed, so those pieces that were

1 not endorsed with walk sequence are basic rated pieces. And  
2 those are the costs. Whether or not it happened to be walk  
3 sequence or not, it's the cost for the pieces not bearing  
4 the walk sequence endorsement.

5 Q I'm not sure I heard an answer to my question. My  
6 question was, was that belief -- is your opinion that you  
7 expressed on redirect based on something -- some  
8 understanding you have about LRH-109, or is it from some  
9 other source?

10 A I would say both.

11 Q You would say both.

12 A It's my understanding independent of 109 that  
13 pieces -- that basic rate pieces may happen to be walk  
14 sequenced, and that those savings will be reflected,  
15 captured by the IOCS cost tallies that are used by Library  
16 Reference 109. It's my understanding from Library Reference  
17 109 that it used tallies for walk sequence endorsed pieces  
18 to go in the walk sequenced endorsed cost, and the cost of  
19 pieces not endorsed with the walk sequence -- with walk  
20 sequence to go in the not walk sequence endorsed, regardless  
21 of whether the pieces were actually walk sequenced.

22 MR. BAKER: No more questions.

23 CHAIRMAN GLEIMAN: Is there any further recross?

24 There doesn't appear to be.

25 If there is nothing further, Ms. Daniel, I want to

1 thank you for your appearance here today and your  
2 contributions to our record. This is your first time here?

3 THE WITNESS: First time here in this seat. Not  
4 the first time here.

5 CHAIRMAN GLEIMAN: You're a veteran now, and I  
6 think several of my colleagues mentioned to me, and I had  
7 the same opinion, that you -- for a first time out you  
8 handle yourself very well on the witness stand.

9 THE WITNESS: Thank you.

10 CHAIRMAN GLEIMAN: I just thought we would mention  
11 that to you.

12 If there's nothing further, you're excused.

13 THE WITNESS: Thank you.

14 CHAIRMAN GLEIMAN: We will reconvene on Friday,  
15 tomorrow, October 10, to receive testimony from Witnesses  
16 Hume and Moeller. And again, as I mentioned, I just want to  
17 remind folks that -- who plan to cross examine that we are  
18 going to pull the plug at 4:30 tomorrow afternoon, and I'd  
19 like to talk with Postal Service counsel about Witness  
20 Moeller's availability early next week, perhaps on Tuesday  
21 morning, to pick up in the event that we don't finish by the  
22 time we stop tomorrow. Okay.

23 Thank you. Have a good evening.

24 [Whereupon, at 4:16 p.m., the hearing was  
25 recessed, to reconvene at 9:30 a.m., Friday, October 10,

1 1997.]  
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